Austria	Sch. 20	Indonesia	Rp 2500	Philippines	Pes. 20
Bahrain	Din 0.650	Israel	NS 3.50	Portugal	Esc 90
Belgium	BFr 45	Italy	L 1500	S. Arabia	Rls 6.00
Canada	C$1.00	Japan	Y550	Singapore	S$ 4.10
Cyprus	C£0.70	Jordan	Fils 500	Spain	Pta 125
Denmark	DKr 8.00	Kuwait	Fils 500	Sri Lanka	Rup 30
Egypt	E£1.00	Lebanon	£1 25.00	Sweden	SKr 7.00
Finland	Fmk 6.50	Luxembourg	LFr 45	Switzerland	SFr 2.20
France	FFr 6.00	Malaysia	Rin 4.25	Taiwan	NT $65
Germany	DM 2.20	Mexico	Pes 300	Tunisia	Din 1.375
Greece	Dr 80	Morocco	Dh 6.00	Turkey	L 350
Hong Kong	HK$ 12	Netherlands	Fl 2.75	U.A.E.	Dh 6.50
India	Rup. 15	Norway	NKr. 7.00	U.S.A.	$1.00

FINANCIAL TIMES

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D 8523 B

Europe's new targets for terror, Page 2

World news | Business summary

Marcos millions 'seized in Zurich'

The Zurich prosecutor has seized $213m in Swiss banks believed to be owned by ex-President Ferdinand Marcos, a Swiss lawyer acting for the Philippines Government said. Marcos and his lawyers have 30 days in which to appeal.

The seizure appears to be the first attempt to identify specific Marcos holdings. To appeal, the owners must identify themselves.

But the lawyer, Mr Moritz Leuenberger, denied reports that agreement had been reached with Marcos lawyers for the return of the money.

French clampdown

The French Parliament has approved tough new measures to control immigration and make it easier to expel foreigners who threaten public order.

Polish amnesty

Poland's Parliament approved an amnesty for the release of most of the country's 350 political prisoners and offered to free jailed Solidarity leaders if they renounce active opposition.

Chernobyl restart

Two of the four reactors at the Chernobyl nuclear power station are expected to resume operating in October, Pravda said.

Arms talks 'hopes'

The head of the US delegation at the European disarmament conference in Stockholm said recent concessions by East and West had brought success within reach.

Iacocca refuses

Chrysler chairman Lee Iacocca said he was not interested in running for the presidency of the US and asked supporters to stop efforts to draft him for the 1988 Democratic nomination.

Massacre claim

Moderate Tamil leaders accused Sri Lankan troops of killing 67 civilians in Trincomalee district, a charge disputed by the military, which claimed most of the dead were terrorists.

East Timor anger

The Portuguese Parliament accused Indonesia of flouting human rights and international conventions in its annexation of East Timor and expressed anger at Jakarta's celebration of the takeover's tenth anniversary.

Kidnapped nuns freed

Ten Roman Catholic nuns kidnapped by Moslem rebels in the Philippines last Friday were freed and returned to their convents.

Convictions quashed

The Northern Ireland Court of Criminal Appeal quashed convictions of 18 Belfast men based on the evidence of IRA "supergrass" Christopher Black three years ago.

British witness

Sir Robert Armstrong, Secretary to the British Cabinet, will give evidence in an Australian court later this year to try to prevent publication of a book written by Peter Wright, a former British agent, according to a British High Commission spokesman in Sydney.

Torture at ranch

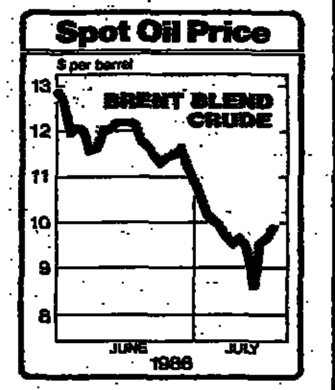
A rancher, his son and their foreman have been convicted at Kerrville, Texas, of luring hitch-hikers with promises of hot meals and then enslaving and torturing their victims. They will be sentenced later.

China's trade deficit tumbles

CHINA improved its foreign trade performance in the first half of this year, recording a deficit of $1.24bn, down from $3.16bn. Page 4

NORTH SEA oil prices recovered sharply in early spot trading, with Brent for September delivery hitting $11.50 a barrel, more than $2 above the level earlier this week. The recovery faded and prices ended little changed. Page 32

Spot Oil Price



WALL STREET: At 3pm the Dow Jones industrial average was up 10.13 at 1,784.31. Page 40

LONDON: Equities continued to rally and gilts made small further gains. The FT ordinary index ended 10.5 higher at 1,316.8. Page 40

TOKYO: Prices were higher and the Nikkei average closed 24.73 higher at 17,725.83. Page 40

DOLLAR fell in London to DM 2.1475 (DM 2.1495); FFr 6.9350 (FFr 6.9425); Y157.30 (Y158.35), but rose to SFr 1.7445 (SFr 1.7420). On Bank of England figures the dollar's index fell to 112.5 from 112.9. Page 33

STERLING rose 0.25 cents in London to close at $1.5160. It also rose to FFr 10.5150 (FFr 10.5075); DM 3.2550 (DM 3.2525); SFr 2.6450 (SFr 2.6375), but fell to Y238.50 (Y239.75). The pound's exchange rate index rose 0.2 to 74.1. Page 33

GOLD remained unchanged at $347.25 on the London bullion market. It fell in Zurich to $347.60 from $347.70. Page 32

In New York the August settlement was $348.7.

MADRID bourse attracted foreign investment of $1.3bn in the first half of this year, against $785m for the whole of 1985.

LOCKHEED, big US defence contractor which sought to extend its interests last week through a $1.2bn friendly bid for Sanders Associates, reported net earnings of $96m ($1.45 a share) in the second quarter, up from $87m ($1.32 a share) in the same period last year. Page 17

PACIFIC REALTY, privately-owned US property company, launched a cash and paper offer for US Home, the building group, worth about $350m.

WALT DISNEY, US entertainment, recreation and consumer products group, reported a 52 per cent jump in net profits for the third quarter, ended June 30, to $79.7m, or 58 cents a share, from $52.5m, or 39 cents a share, in the year-ago period. Page 17

FIRST National Bank of Chicago, one of 23 banks named in a $3.6bn damages suit filed by Nelson Bunker Hunt and his family interests, has filed a counter-claim on the basis of fraud and misrepresentation. Page 18

LÄNDERBANK, the Austrian state bank, announced strong first-half 1986 profits and unveiled plans for a possible Sch 1.2bn ($79m) international fund raising. Page 18

NICKEL price decline is forcing the closure of Western Australia's Agnew mine. Page 32

CO-OP, West German retail co-operative, plans to float a significant block of its shares on the stock exchange next year. Page 18

Big steel losses push LTV into bankruptcy filing

BY TERRY DODSWORTH IN NEW YORK

LTV, the second largest US steel manufacturer, and one of the stars of the conglomerate era in the 1960s, filed for bankruptcy yesterday in a move which dramatically underscored the continuing problems of many areas of the country's traditional manufacturing industry.

The company's filing, made under Chapter 11 provisions, involves one of the largest companies ever to use this device, which gives it protection from creditors while it works out a reorganisation scheme. LTV had sales last year of $8.2bn, more than four times the revenues of Manville, the asbestos group, when it made a similar filing.

LTV's decision was not entirely unexpected on Wall Street and immediately drew attention to other steel industry stocks, which were marked down across the board yesterday as the stock market as a whole advanced.

Analysts have for some time regarded LTV as the most vulnerable of several leading steel companies that have fallen into difficulties, and over the last two weeks the top debt rating agencies have hinted at the possibility of bankruptcy by announcing moves to downgrade its paper.

This step by the rating agencies was referred to pointedly in the company's statement yesterday as one of the reasons for its difficulties in managing its liquidity problems. Long-term financing, LTV said, had been discouraged by the downgrading of its debt and credit.

Apart from steel, LTV also has a large and highly profitable defence and aerospace business, along with a currently unprofitable oil equipment manufacturing arm. It stressed yesterday that it intended to continue in all of these sectors, but it said that it needed to take steps to reduce costs and restructure debt "without the cash flow problems it now faces" – a reference to the fact that Chapter 11 will allow it to default on contractual obligations and redraw them in a new fashion.

	Sales ($m)		Operating income (Loss) ($m)	
Division	1985	1984	1985	1984
Steel	5,375.4	4,521.5	(227.0)	(217.4)
Aerospace/Defence	2,259.5	1,982.9	163.9	124.5
Energy products	551.7	647.0	(25.6)	(73.1)
Total	8,198.8	7,046.1	(458.7)	(165.7)

Research associate Paul Nachora

LTV placed the blame for its continuing difficulties in its steel and oil equipment businesses squarely on the high level of imports in recent years.

Direct steel imports are now running at about 25 per cent of the US market, despite White House efforts to reduce them to about 20 per cent through bilateral agreements. Mr Raymond Hay, LTV's chairman, contended yesterday that if indirect imports on other goods are included, 51 per cent of total US consumption is now accounted for by imports.

Similar problems forced Wheeling-Pittsburgh, one of the smaller US integrated steel producers into Chapter 11 over a year ago – it re-emerged this year – and have bedevilled all the other big companies. Total losses in the industry in the four years ending in December of 1985 amounted to about $6.5bn, and have forced many companies to drop their dividends for several quarters.

LTV's own losses over the same period amounted to $1.44bn. Only two years ago, the company made an ambitious move to break out of this cycle of decline by the $770m acquisition of Republic Steel, a similarly troubled producer, in an all paper deal.

The merger proved more difficult to consummate than it had imagined, however, and is now seen as a false step because it was not followed by the upswing in the market and prices that had been expected.

It also saddled the group with another $1bn of debt that have added to its financial problems. By the end of last year, LTV had $2.8bn of long-term debt outstanding, along with $400m of bank borrowings. Shareholders' funds stood at only $852m, and these fell by another $90m in the first quarter of this year.

Mr Hay said yesterday that the company's cash crisis – which has been staved off to some extent by the sale of assets this year – had become more acute because of a significant decline in second-quarter steel shipments and a sharp drop in the number of active drilling rigs. Shipments are believed to have sagged because of earlier stock building by customers on fears of a strike in the industry.

Adverse publicity, Mr Hay added, had reduced the amount of available trade credit and caused a drop in accounts receivable to support short-term bank borrowings. "The company was unable to meet its anticipated cash requirements, which include approximately $1.7bn in scheduled debt service for the next three years and approximately $375m in annual pension and post-retirement benefit costs," he said.

Analysts say that the company has a number of possible options in its use of its Chapter 11 status. One of these, according to Mr Steven Brooks, from Moodys, the debt rating agency, may be to try to reduce prices on its long-term raw materials.

Continued on Page 16

Guinness intervention by London exchange

BY LIONEL BARBER IN LONDON

THE London Stock Exchange last night intervened in the row over controversial board changes at Guinness, the UK brewing and retail group, and warned Guinness directors that it expected a full explanation.

The Stock Exchange said it would examine in draft form the circular to be published by Guinness to its shareholders who will vote on the changes at a special meeting. It will also examine voting arrangements proposed for the meeting.

Earlier this week, Guinness announced that it intended to scrap plans for a new group supervisory board following the successful £2.5bn ($3.8bn) takeover of Distillers, the international drinks business. These plans, which included the appointment of Sir Thomas Risk, Governor of the Bank of Scotland, as group non-executive chairman, were included in several official statements as well as an offer document sent to Distillers' shareholders on March 3.

Mr Luke Glass, spokesman for the Stock Exchange, said that the exchange had the power to order Guinness to redraft its circular if it was not considered adequate. An extraordinary general meeting cannot take place unless the circular is deemed to be satisfactory.

A separate sanction likely to be enforced by the exchange is that Mr Ernest Saunders, Guinness' chief executive, and Lord Iveagh, Guinness chairman, will be barred from voting on the resolutions, which include proposals for Mr Saunders to become group chairman and chief executive and for Lord Iveagh to become group president.

Guinness declined to comment on the Stock Exchange's intervention on the grounds that it had not seen the statement. The exchange's comments follow public criticism of the Guinness proposals this week by the Bank of England and the resignation of one of Guinness's brokers, Wood Mackenzie.

The Takeover Panel is also taking an interest in the proposed board changes. The panel intends to interview senior Guinness executives and its advisers and members of the Distillers board and its advisers before deciding on what action to take.

The Government has intervened directly in the affair, with a public reprimand from Mr Malcolm Rifkind, the Scottish Secretary, to Mr Ernest Saunders, the company's chairman, writes Peter Riddell, Political Editor.

Mr Allan Stewart, the Scottish Industry Minister, yesterday told the Scottish Grand Committee at Westminster that at a 90-minute meeting with Mr Saunders late on Tuesday, Mr Rifkind had made known "his concern at recent developments, and emphasised his view that the structure and management of the company should reflect its importance in Scotland."

In particular, Mr Rifkind highlighted Guinness's assurances that the headquarters of the combined group would be in Scotland. He believed "that the public are entitled to expect undertakings of this kind to be fulfilled."

Strike hits AT&T profits

By Our Financial Staff

AT&T, the major US telecommunications group, yesterday reported a fall in second-quarter profits from $461m to $422m, mainly as a result of a 26-day strike in June.

The results contrast with those of a clutch of regional telephone holding companies spun off earlier this decade from AT&T. AT&T said the strike by members of the Communications Workers of America reduced its earnings by as much as $140m, "badly distorting" results for the second quarter. Per share earnings were down from 41 cents to 37 cents while revenues fell from $8.56bn to $8.42bn.

At the six-months stage, net earnings were up from $439.8m or $2.29 a share to $450.1m or $2.36, while revenues rose from $16.87bn to $17.1bn.

The effects of the strike were partially offset by a change in accounting for pension expenses, which boosted second-quarter profits by $112m. Mr Charles Brown, chairman, said: "The long distance business is robust. The sale of switching equipment to the telephone industry remains on target. But the market for business premises equipment is decidedly soft, reflecting conditions throughout the industry."

At the regional companies, steady earnings growth continued. US West posted an advance from $242.4m or $1.27 a share in the second quarter of 1985 to $270.2m or $1.42.

US chips groups unite to fend off Japanese

By Louise Kehoe in San Francisco

THE US semiconductor industry is working on a "master plan" to fend off Japanese competition in the world market.

The plan is expected to call for large-scale government and industry funding of a joint manufacturing effort for the next generation of microchips. It is being drawn up by Mr Charles E. Sporck, president of National Semiconductor, at the request of the Semiconductor Industry Association (SIA), a trade group of microchip makers.

"The American semiconductor industry has only two choices: we don't keep up with technology and get wiped out – or we come up with an overall integrated development plan and can compete with the Japanese," Mr Sporck said in an interview with a US electronics trade publication.

As well as seeking government funding, the plan is expected to include proposals for greater co-operation between chipmakers and US suppliers of semiconductor manufacturing equipment.

Mr Sporck said: "SIA companies must work together on common specifications for the new equipment needed to build next-generation devices. That will allow our equipment suppliers to devote the resources needed to develop the new systems and also give them economies of scale to produce the equipment effectively."

He stressed that the plan was still in the early stages of development and he was not sure if the SIA would endorse it. However, he hoped that the industry's leaders would reach a consensus by the autumn.

Some resistance to the ideas of industry co-operation and government involvement can be expected from the fiercely independent US chipmakers.

This would coincide, he pointed out, with the final report of a Defence Department task force investigation of the dependency of the US military on US chipmakers.

It was his impression that the task force was coming to the conclusion that the department had a great stake in the survival of the semiconductor industry.

"If we achieve a 'level playing field' – if we gain access to the Japanese market and stop Japanese dumping – then what? That is what we are asking ourselves," an association official said.

The drawing up of the plan follows the temporary suspension by the US Commerce Department of two outstanding anti-dumping suits

Continued on Page 16

Senate ratifies new US-UK extradition pact

BY REGINALD DALE IN WASHINGTON

THE US SENATE yesterday finally ratified a controversial new Anglo-American extradition treaty, removing a long-running irritant in relations between the two countries. The Republican-led chamber voted 87 to 10 in favour of the treaty, well above the required two-thirds majority.

The treaty, which will facilitate the return of Irish terrorist fugitives in the US to face British justice, had been held up for over a year largely as a result of objections from Senators with strong Irish-American constituencies.

Yesterday's vote marked the climax of a strenuous British lobbying campaign for ratification. Cabinet ministers argued, among other things, that the US owed the UK a favour in return for Britain's lonely support of President Ronald Reagan's bombing raid on Libya in April.

The treaty lists a number of violent crimes, such as murder, kidnapping and bombing, which can no longer be treated as "political" offences in attempts to evade extradition from the US.

Hitherto, Irish fugitives have been able to resist extradition in US courts on "political" grounds.

Opponents of the treaty yesterday argued that it wrongly equated all political violence with terrorism and undermined the principles of political assylum on which American democracy was founded.

Its supporters insisted that murder and bombing could not be considered political crimes in a democracy and that the treaty was an important instrument in the international fight against terrorism. Attempts to maintain the "political" defence for attacks on British soldiers, as opposed to civilians, were unsuccessful.

British officials yesterday hailed the "resounding" vote in favour of the treaty as a good example of international co-operation against terrorism. The Government now hopes that the treaty's final text can be ratified by the British Parliament before the August recess.

Mercury and ICL to offer data services

BY DAVID THOMAS IN LONDON

MERCURY Communications, the sole competitor to British Telecom's main UK network, and ICL, the largest British-owned computer company, are forming a joint venture which will represent another major step in Mercury's challenge to BT.

The joint venture, which will offer specialist data communication services to businesses, is also a further sign of ICL's determination to concentrate more on computer services.

ICL also announced yesterday proposals to collaborate with Geisco, the information services subsidiary of General Electric of the US, in offering networked services in the growing market for the international electronic interchange of business information.

Mercury and ICL will establish a new company which will acquire and upgrade ICL's existing data network, which at present has about 2,000 users.

Using Mercury's circuits, the company will arrange, operate and manage private networks offering so-called value-added services, such as electronic ordering and invoicing capabilities.

Cable and Wireless, Mercury's parent, will hold 75 per cent of the new company, with STC, ICL's parent, holding the remaining 25 per cent. Cable and Wireless will pay STC an undisclosed sum for the assets ICL is bringing to the venture.

For Mercury, which has concentrated so far on establishing basic telephone services, the deal represents a major move into the provision of more sophisticated value-added services.

In 1984, the government refused to allow IBM and British Telecom to set up a joint venture offering managed data networks on the ground that it would deter others from entering the market. Since then, each company has launched value-added services.

ICL also announced yesterday that it hoped to complete within about 90 days negotiations with Geisco on a joint venture in the international electronic interchange of business data, which will give ICL's customers access to the network of Geisco, a leader in this market, with about 5,000 to 6,000 companies as customers throughout the world.

Mr Colin Bell, Geisco vice-president, said yesterday that the market was growing at about 40-50 per cent a year worldwide. He said a Geisco-ICL joint venture would mean "a key opportunity for the UK to establish a leading position

CONTENTS

EUROPEAN NEWS

Rupert Cornwell and David Marsh examine the renewed eruption of urban terrorism in West Germany and France

Red Army Faction aims its lethal fire at a new target

"THE RED ARMY Faction has been a bit out of things for a while," a top West German security expert remarked not so long ago. "But we shouldn't be complacent because they have got to worry about its own reputation, too."

His words were prophetic. Last week's chillingly professional murder of the Siemens executive, Mr Karl Heinz Beckurts and his driver near Munich by a Faction commando ended a long period of comparative calm. It is also proof that the group has recovered from near extinction in 1982 to pose a more lethal threat than ever to the "pig state" it despises.

The remote-control bomb, fashioned out of two gas cylinders packed with explosive, was a device more sophisticated than any hitherto used in West Germany — although a similar technique was employed by the group for the attempted assassination near Brussels in June 1979 of General Alexander Haig, then Supreme Commander of Nato. That came within an ace of success.

That a new spate of bombings and attacks could be at hand is doubted by no one. "The Munich attack was the work of a well-rehearsed team, which can draw on support both inside and outside West Germany," was how Mr Herbert Hellenbroich, the former head of the country's counter-intelligence services, put it afterwards.

The best-educated guesses put that current hard core of the faction, its killers and top strategists, at no more than 20. But these fishes, to employ Chairman Mao's famous metaphor to explain the capacity of guerrilla cells to survive, swim in a sea of 200 or more helpers and sympathisers, providing services ranging from safe houses to logistical support of every kind.

The way in which a new leadership has evolved since

> The Munich attack was the work of a well-rehearsed team, which can call on support from both inside and outside West Germany

the heyday of the Red Army Faction in the late 1970s is illustrated by the latest "wanted" poster distributed by the Federal Criminal Office (BKA) in Weisbaden, offering rewards of DM 50,000 (£15,600) per head for help in capture of 18 terrorists on the run.

Their ages range from 25 to 45, but the majority are in their early 30s, and their alleged activities amount to half a generation of West German terror. Some investigators believe that they are split into two groups, one based in Baden Wuerttemberg, the other in the Rhein-Main area around Frankfurt. Examination of the nine names issued by police after the Beckurts murder confirms *how a decade-long thread was* never entirely broken.

Two of them, the couple Barbara and Horst-Ludwig Meyer, are suspected of having carried out the murder, also in Munich, of Mr Ernst Zimmermann, head of the MTU aero-engine company on February 1, 1985 — the last previous such assassination by the Red Army Faction.

Another, Sigrid Sternbeck, is a much older acquaintance of the BKA. Now 36, she was vainly sought in 1977 for the murder of the banker Mr Juergen Ponto. But she has succeeded in remaing at large, along with the 35-year-old Susanne Albrecht, the other prime suspect in the Ponto case, and whose name and photograph head the 18 on the poster.

Since then, the preferred targets have changed. In the late 1970s, the most spectacular victims of the faction were representatives of the establishment: Mr Ponto, the head of the Dresdner Bank; Mr Hanns-Martin Schleyer, the employers' leader who was kidnapped and later shot; and Mr Siegfried Buback, the Federal Attorney General.

Now, however, the Faction has shown, in both document and deed, that it is aiming at what might be called the "military industrial complex". Its attacks have struck Nato and US military installations in West Germany, US military personnel, as well as executives (like Mr Beckurts and Mr Zimmermann) and offices of companies connected, often only loosely, with the defence industry.

If anything, the task of the police in protecting potential targets is harder than ever. Cuttings and files seized in terrorist hideaways suggest their number runs into the hundreds. But there is no way of judging how immediate is the threat: not all of them can be guarded around the clock, and the death of Mr Beckurts shows that even when they are, that may not be enough.

On top of this is mounting evidence of links between the Faction and terrorist groups abroad, notably Action Directe in France and to a lesser extent the Belgian organisation Cellules Communistes Combattantes. Symbolically, the killings of Mr Zimmermann and Mr Beckurts were claimed as the work of Faction commandos named after Irish and Italian Red Brigades figures respectively.

But just how close are ties no one is sure. In January 1985 the Faction and Action Directe jointly issued a pamphlet entitled "For the unity of the revolution in Europe," and announcing attacks on "imperialist" Nato installations. But other connections are more tenuous. Security experts contend, for instance, that attempts by the West German terrorists to rebuild relations with Palestinian groups have borne little fruit.

But there may be more promising waters for the terrorist fish to swim in, and much closer to home. The typically rambling Faction document issued after the murder of Mr Beckurts mentioned — among much else — the nuclear reprocessing plant at Wackersdorf in Bavaria which has been the object of almost weekly violent protest.

Security officials claim that some of the anarchists there have been identified as suspected sympathisers of the Faction. For the time being it remains very small and isolated within West German society at large. But if it can draw new strength from the anti-nuclear movement here, revitalised after the Chernobyl disaster, then the Red Army Faction might well become an even more dangerous proposition.

Soviet oil industry falls behind

By Our Moscow Correspondent

THE SOVIET oil industry was the only branch of industry that missed production targets for the first half of 1986, when overall industrial production rose 5.6 per cent over the first six months of last year.

Partial economic figures published yesterday for the first half of the year were contained in a decree from the Communist party central committee that served notice to several key branches of the economy that there must be no slackening of the effort to modernise and boost output.

No exact figures were given for oil production and no criticism made of the industry, suggesting that perhaps the shortfall was expected and that copious attacks already made in the state-run media should suffice to improve performance soon.

"Changes for the better" took place in basic industries such as metallurgy, machine-building, coal and gas, and "the restructuring of management" has begun to improve agriculture, the decree said.

State purchases of cattle and poultry went up 7.3 per cent over the first half of 1985, while milk purchases increased 5.7 per cent. No mention was made of a grain harvest figure, but the decree repeated strictures from earlier this month that the harvest must be carefully gathered, especially in the Far East, and that the quality of seeds should be improved.

Ministries overseeing the chemical, fertiliser and electric technology industries were said to have missed targets in May and June, while industrial production slackened in June in some republics.

Ministries responsible for car production, road building and wood and pulp processing were also said to have fallen behind on contracted deliveries, although the decree attributed the overall boost in performance in part to prompter deliveries.

The decree seemed intended to warn ministries once again that they must meet targets this year. While industrial production so far is well above the planned level of 4.3 per cent for 1986, there are no grounds for "complacency and euphoria."

Action Directe forces French Government to take it seriously

ACTION DIRECTE, the French urban terrorist group, has become a major thorn in the side of a government in Paris which is dedicated to enforcing law and order.

Born of left-wing anarchist roots in 1979, Action Directe was not taken seriously when the left took power in 1981. The then Socialist government released from prison Jean-Marc Rouillan, the main founder of the movement, together with several other militants, as part of President Francois Mitterrand's post-election amnesty.

Five years later, after an escalating string of terrorist attacks and a forging of operational links between Action Directe and West Germany's Red Army Faction (RAF), Mr Rouillan is on the run as probably the most wanted man in France.

Last week's bomb blast at an annexe of the Paris police headquarters which killed an inspector and injured more than 20 others extended further a spiral of violence which adds up to one of the gravest challenges for the French police since the unrest in the 1960s over the French withdrawal from Algeria.

Mr Charles Pasqua, the Interior Minister brought in by Mr Jacques Chirac, the Prime Minister, to pull no punches in *the fight against crime and* terrorism, said Action Directe, in carrying out last week's attack was defying the state itself.

The bombing, carried out on the same day that the RAF killed Mr Karl-Hienz Beckurts, a top Siemens executive, and his chauffeur by blowing up their car in Munich, has further exacerbated tensions over law and order in France.

The blast took place in the aftermath of an outcry over the killing in Paris by a French riot policeman of a young motorist who tried to evade one of the police checks regularly carried out at night in the capital.

Allegations—strongly rejected by Mr Pasqua—that the police are becoming too heavy-handed have also increased as a result of legislation being pushed *through Parliament to increase* controls on illegal immigrants.

On the other hand, legitimate worries about public security have been growing steadily not only as a result of terrorist attacks but also because of a general upsurge in violent crime. Just two days before last week's attack on the police building, Mr Chirac, who is also mayor of Paris, announced reinforcements of 1,500 extra policemen for the capital next year. This is in part to assure the population of protection in the face of a gruesome and unsolved series of murders of old ladies.

Among the upsurge of terrorist incidents in France over the past few years, which have included a number of attacks by groups with Middle East connections, the *increasingly bloody presence of Action* Directe has without doubt posed French investigators with the most riddles.

Mr Rouillan and several other much-sought Action Directe members — including Max Frerot, thought to be behind last week's blast—are still at large. But the police have had some success in dismantling some of the organisation's network, which is thought to be split into two groups, one operating solely on French territory and the other linked internationally.

The arrest in Lyons earlier this year of Andre Olivier, one of the leaders of the "national" branch, represented a notable success.

Police, however, are still puzzled about the exact nature of the links between the "international" section of Action Directe and foreign terrorist organisations such as the RAF, the Italian Red Brigades and the communist CCC grouping which has been active in Belgium.

The "international" arms of Action Directe has been implicated in the most serious attacks, above all the murder in January last year of General Rene Audran, the official in charge of international arms negotiations at the Defence Ministry.

It has also been responsible for two attacks which failed to kill their targets. These were General Henri Blandin, Controller-General of the French army, who survived an assassination bid in June 1985, and Mr Guy Brana, vice chairman of the Patronat employee's federation who narrowly missed being shot in a raid on his home in April.

The national section of Action Directe has been responsible up to now mainly for fairly low-explosive bombs planted at night to hit companies, institutions and banks with military, US, South African or right-wing connections. This long list of targets in the past two years has included the headquarters of the European Space Agency, and of the Western European Union as well as offices of several big French state-owned and private companies, including, earlier this month, the Thomson and Air Liquide groups. These raids are rarely caused injuries to people.

The blast at the police headquarters last week, however, has all the hallmarks of the national section. This could indicate a cold-blooded change of strategy by the organisation. Another explanation, the French police say, is that the terrorist group has decided in some desperation to up the stakes in the belief that, following the Lyons arrest earlier this year, the security forces are closing in. If this is true, then High Noon may be approaching.

West German car output up by 13%

BY LESLIE COLITT IN BERLIN

THE DOMESTIC market is providing the impetus for West German car production; exports are less satisfactory compared with last year's boom.

Some 400,000 vehicles rolled off the assembly lines last month, a 13 per cent increase on a year ago. The domestic market, which absorbs about a third of production, accounted for half this rise.

In the first six months overall production climbed by 3 per cent, or 67,000 vehicles, to 2.41m but exports declined by 1 per cent, or 11,500 according to the VDA motor industry association.

Many West German motorists have resumed buying new cars after a period of uncertainty last year about the Government's plans for exhaust control measures. However, the strong D-mark is affecting the industry's competitiveness on foreign markets and deflating the value of dollar-denominated receipts in West German profit and loss accounts.

The VDA says new orders are at "high levels." Most producers have invested heavily in new capacity and some, like VW and BMW, are unable to keep pace with demand. Daimler Benz expects "considerable increase" in output this year. Of the local subsidiaries of US carmakers, Ford is predicting a return to profit this year. Opel, owned by GM, has shaved its losses but does not expect to pull itself out of the red until 1987.

Portuguese inflation under control, says minister

BY DIANA SMITH IN LISBON

INFLATION IS under control in Portugal, according to the Finance Minister, Mr Miguel Cadilhe. The Government will now turn its "big guns" on unemployment, which will only be at 4 per cent by 1992.

Official figures set unemployment at 11 per cent this year. Investment, which Mr Cadilhe confidently promised would grow by 15 per cent, is sluggish. The minister, claiming that there are "no reliable statistics in Portugal," refused to tell a news conference what the revised investment figures were.

High interest rates—which the government cut by three points in June, leaving six-month deposit and lending rates points ahead of year-on-year inflation of 12 per cent are partly blamed for business's half-hearted response to the government's proclamation of an economic renaissance.

But the confused signals transmitted by a Government that calls for competition and stimulation of the market economy while continuing to protect unviable nationalised corporations have discouraged many potential investors.

The Government recently announced company tax concessions for enterprises that invest over the next three years.

Mr Cadilhe said that if gross domestic product grew between 4 and 6 per cent in the next few years (this year's growth is forecast at about 4.5 per cent), if the active population grew by 0.9 per cent and investment by 10 per cent a year and this produced job growth of 1.5 per cent in 1987-89 and 2.5 per cent in successive years, unemployment would drop to 4 per cent in 1992.

Trial opens of former Turkish Prime Minister

BY DAVID BARCHARD IN ANKARA

A PAST Prime Minister of Turkey, Mr Bulent Ecevit, appeared in court yesterday accused of breaking a ban on former political leaders from returning to party politics. If convicted he could be sent to jail for up to three years, however he has not been detained.

He made an impassioned defence statement to a court-roof full to overflowing. The judges later adjourned the session until September 23.

Western diplomats noted that the date for the next session of the trial falls after the first meeting for six years of the Turkish-European Community Association Council on September 16. The trial has already proved something of an embarrassment to efforts to normalise Turkish relations with the EEC and it is not clear how much progress the meeting will be able to make if it is conducted with the threat of prison hanging over the former Premier.

Mr Ecevit repeated earlier charges yesterday that the 1982 constitution and the present political order in Turkey is not fully democratic.

While the fact that he is being tried by a criminal court rather than by a martial law tribunal is regarded as a sign of Turkey's progress back to democracy, there is a general feeling here that whoever took the decision to prosecute was falling into a political trap set by Mr Ecevit.

Both he and his arch-rival from the 1970s, Mr Suleyman Demirel, have the backing of political parties which are re-creations in all but name of the parties they led before 1980. The momentum of these parties is likely to be increased rather than stopped by placing Mr Ecevit on trial.

US-SOVIET NUCLEAR TEST NEGOTIATIONS TO RESUME

The tangled web of arms control talks

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

THE REAGAN Administration is considering a proposal to reduce the frequency of nuclear weapons tests in parallel with reductions in the US and Soviet strategic arsenals, the New York Times reported yesterday, writes Reginald Dale in Washington.

The idea is contained in a draft of a letter from President Ronald Reagan to Mr Mikhail Gorbachev, the Soviet leader, in response to the latter's recent arms control proposa's, the newspaper said. But, while State Department officials had supported the plan, there was still opposition with the Administration *and it had not been finally* approved.

The suggestion, the first of its kind from the US, was that if, for example, strategic weapons were cut by 30 per cent the number of tests would be reduced by a similar proportion. Hitherto, the US has rejected Mr Gorbachev's calls for a complete test ban, on the grounds that testing is necessary to keep the US nuclear deterrent in safe working order.

Opponents of the scheme had pointed out that there was no direct correlation between the number of weapons and the tests needed, *the New York Times said.* Some tests, for instance, involved "tactical" weapons that would not be covered in a new strategic arms treaty.

Supporters, on the other hand, said that the US could reduce its testing without hurting its security and that the proposal could slow Soviet weapons development. They said that the Soviet test ban proposal had increased public interest in the issue and that the US idea might be a way of responding to popular concern over continuing nuclear tests.

THE CONFUSION caused by Mr Eduard Shevardnadze, the Soviet Foreign Minister, when *he let slip at the end of his visit* to London that the US and the Soviet Union had agreed on a resumption of talks on nuclear tests was understandable.

It was not only that many of the journalists present at his press conference had missed the previous week's reports from Washington giving the world the same news. Part of the trouble is that, while talking about the same event, the US and Soviet interpretations of what the talks should be about is very different.

The main objective of the Soviet Union at the talks, which will be held in Geneva at official level, will be to achieve a ban on all nuclear tests. The US, on the other hand, has made it clear that a comprehensive test ban could *only be a long-term objective* and that the forthcoming discussions should deal mainly with verification procedures.

Almost simultaneously, it was announced that separate US-Soviet talks would be held in Geneva on July 22 on the controversial 1979 Salt 2 strategic arms limitation treaty, which President Ronald Reagan has threatened to scrap

However, these two developments are only the latest strands in the tangled web of arms control negotiations, some of them bilateral between the US and the Soviet Union, and others multilateral, which already require a manual to distinguish them from each other, let alone to understand.

At the top of the pyramid are the purely bilateral US-Soviet nuclear arms control negotiations in Geneva, which themselves have been divided up into three separate forum's dealing with:

1—The Strategic Arms Reduction Talks, START for short, which are concerned with the limitation and reduction of US and Soviet strategic nuclear weapons. These are essentially land-based missiles and aircraft which can reach the US from Soviet territory and vice versa, and submarine-launched missiles.

2—Negotiations dealing with intermediate-range nuclear forces (INF), which cover land-based nuclear missiles and aircraft carrying nuclear missiles of shorter than strategic range, such as US cruise missiles based in Europe and Soviet SS-20s, two-thirds of which are aimed at Western Europe.

3 — Negotiations on space arms, which the Soviet Union *sees mainly as a means of preventing* the develpoment of President Reagan's Strategic Defence Initiative (SDI). The Soviet Union has insisted on a close linkage between the three groups and has indicated that agreement on reductions in nuclear weapons is dependent on progress in the space group.

At the same time multilateral East-West disarmament negotiations are taking place in three different geographical locations—Vienna, Geneva and Stockholm:

1—The longest-lasting and most intractable are the Vienna-based talks on mutual and balanced forced reductions (MBFR) in Centra: Europe between Nato and the Warsaw Pact which began in 1973 and are concerned exclusively with conventional forces.

The aim of the negotiations, where some progress has been made recently towards narrowing the gap between the Western and Eastern position, is to seek security at a lower level of forces. The main problem has been the East's great superiority in manpower and conventional forces in the Central European area and the geographical advantage of the Warsaw Pact forces.

2. The conference on Confidence and Security Building Measures and Disarmament in Europe (CDE), known simply as the Stockholm Conference. This is part of the so-called Helsinki process, which owes its name to the Conference on Security and Co-operation in Europe (CSCE) which a Final Act was signed in Helsinki in 1975 by 35 participating countries *including the US and* Canada and all European countries except Albania.

The Final Act includes a principle that states should refrain from the threat or use of force and contains a detailed section on confidence-building measures, including the notification of major military manoeuvres.

3. The 40-nation Conference on Disarmament in Geneva, which is the main forum for discussing a total ban on chemical weapons and where Britain last week tabled an important compromise proposal on verification procedures.

While for many years the link between all these various negotiations has been at best tenuous, it has become increasingly clear that both the Western *allies and the Soviet bloc* now see nuclear and conventional arms negotiations as being closely interdependent.

The Nato members, in particular, feel that they would be at a great disadvantage if deep reductions in nuclear weapons were not accompanied by substantial cuts in conventional forces in Central Europe.

If, as seems probable, agreements can be reached fairly quickly on confidence-building measures in Stockholm and on banning chemical weapons, both the US and the Soviet Union now appear to be confident that the beneficial effects would soon make themselves felt in the nuclear arms control talks in Geneva.

EEC aims to improve food aid programme

BY TIM DICKSON IN BRUSSELS

THE EUROPEAN Commission yesterday put forward proposals designed to head off criticism that the EEC's Ecu 550m (£357m) per year food aid programme is inefficiently managed and disrupts developing countries' economies.

Conceived in the 1960s primarily as a means of disposing of Community food surpluses, the programme enables around 60 Third World Governments to sell Community products such as milk and cereals on their own markets and use the proceeds for local development.

The scheme, which has grown significantly in recent years, came in for particular ctiricism from the Court of Auditors, the EEC financial watchdog body which pointed to serious delays in shipments and accused the Community of discouraging local food production.

The Commission has been conscious in recent years of the need to integrate the programme into Third World food strategies and yesterday announced measures enabling it to buy up to 10 per cent of food requirements under the programme from local markets.

At the moment this can only be done in an emergency or in cases where EEC supplies are not available.

The proposal is an acknowledgement of the agricultural surpluses in African and other developing country markets, though significantly the Commission says its new approach does not "compromise the principle of Community preference."

The Commission's other ideas are designed mairey to increase its control over the management of the programme—at the moment, for example, deliveries are handled by the relevant EEC intervention agencies. As one official put it yesterday, "we are trying to shorten the link between the EEC and the final beneficiary."

Andreotti bid faces failure

PRIME MINISTER - designate Giulio Andreotti appears to have failed so far in his bid to form a government but there are some signs that Italy's feuding political parties may be moving towards a compromise, **Reuter reports from Rome.**

He said he would report back to Preisdent Francesco Cossiga today, a day later than originally expected. He has run into a solid wall of opposition from the Socialists whose leader, Mr Bettino Craxi, resigned as Prime Minister last month.

New Polish Finance Minister

By Christopher Bobinski in Warsaw

THE POLISH Parliament was expected yesterday to approve the replacement of Mr Stanislaw Nieckarz as Finance Minister by Mr Bazyli Samojlik. The latter, 43-year-old academic from the Warsaw School of Planning and Statistics, has most recently been heading the Prime Minister's team of personal advisers.

Mr Nieckarz, who held the post from 1982 during which time Poland endured Western credit *sanctions and a long* drawn out application for membership of the International Moneary Fund, has long been criticised for his fiscal policies.

Poland, with a $31.4bn external debt, continues to struggle with debt servicing commitments and has relied on a rescheduling process with Western governments and banks to bridge shortfalls despite annual hard currency trade surpluses in excess of $1bn.

Mr Zbigniew Messner, the Prime Minister, in making the move is responding to criticism expressed at the recent Communist party congress that economic reforms were being introduced too slowly. Finance Ministry policies under Mr Nieckarz's direction have been attacked by reformers for over-burdening profitable enterprises while subsidies to loss-makers have been paid out on too great a scale.

Parliament, meanwhile approved a law that will free more than 200 political prisoners, including some leaders of Solidarity. The amnesty, which formally comes into effect on July 23, will also free some 20,000 minor criminal offenders.

The move boils down to an offer of freedom to detained Solidarity leaders as well as their remaining colleagues in the underground if they agree to recognise their defeat and cease their activities.

German relations threatened by 'spy' affair

BY LESLIE COLITT IN EAST BERLIN

Professor Meissner

TENSIONS ROSE sharply yesterday between East and West Germany over a prominent East German economist who took refuge in the East German mission in Bonn this week after apparently changing his mind about defecting to the West a few days earlier.

The East German Government demanded that Bonn allow Prof Herbert Meissner, deputy head of the country's Academy of Sciences, to return It warned that Bonn was "seriously interfering" with travel between the two German states by refusing to allow him out and was responsible for the "consequences." The implication was that East Germany could curb the greatly increased flow of East German visitors to West Germany in recent months.

The West German authorities clai mthat Professor Meissner told the BND intelligence agency that he gave intelligence information to East Germany's Ministry of State Security after previous trips to the West. A warrant was issued for his arrest on "suspicion of espionage," and they reiterated that he could not be permitted to leave the country.

Earlier this week East Germany had angrily accused the BND of abducting Professor Meissner from West Berlin to its headquarters in Munich. It claimed he had escaped from his "guards" and made his way to the East German mission.

Bonn retorted that he had contacted the BND and had been given a West German passport in exchange for his East German diplomatic pass.

The incident threatens to set back the much improved relations between the two states, but Bonn stressed that it wanted "clear up the matter"

The East German news-agency reported that the much decorated economist was taken into custody in West Berlin under "false charges" while on an official trip. The West Berlin police, however, said Prof Meissner was caught stealing a shower fixture from a department store

They added that he was so distraught at being caught shoplifting that he believed the only way out for him was to contact the BND and to defect. Afterwards, they said, he apparently had a mental relapse—frequently experienced by defectors—and decided he wanted to return home to his wife and children.

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OVERSEAS NEWS

Mahathir to call early election

By Wong Sulong in Kuala Lumpur

DR MAHATHIR MOHAMAD, the Malaysian Prime Minister, is to meet members of the Supreme Council of his dominant United Malays National Organisation, and heads of the 13 component parties of his coalition Government today to tell them of his intention to call an early general election next month, top UMNO party officials said.

The Malaysian Prime Minister will announce the dissolution of parliament after today's meetings.

According to the UMNO officials, the favourite date for the polls is August 2, with August 9 as the alternative. The two dates fall within the school holidays which are important because many Malay teachers are staunch UMNO members who would be relied upon to do the campaigning on the ground. Several leading newspapers yesterday speculated on an August election.

Dr Mahathir, 60, has recently completed five years in office, during which the country's economy has been hit by depressed commodity prices.

He does not need to go to the polls until August next year, but is under great pressure from the 13 coalition parties to get a new mandate for the Government to take tough measures to revive the depressed economy.

A fresh national mandate would also help him neutralise a challenge from Datuk Musa Hitam, his former deputy, but this could backfire if the Government does badly at the polls.

There are also two other considerations for early elections: with the admission of the Christian-led Party Bersatu Sabah, the ruling party in Sabah, into the federal coalition fold, Dr Mahathir is now confident of getting most of the parliamentary seats from East Malaysia.

The two East Malaysian states of Sabah and Sarawak account for a quarter of the 177 federal seats.

Secondly, the Government is deeply concerned at the recent success of the opposition Party Islam, UMNO's main rival, in reaching out to the Chinese who form 30 per cent of the voters.

● A Malaysian court yesterday ordered two New Zealand Christian missionaries to stand trial on charges of hurting the religious feelings of a Moslem, Reuter reports from Kajang, Malaysia.

Mr Grant Terrance Nesdale, 28, was ordered to stand trial for uttering words abusing Islam to businessman Mr Mohamad Mahmood, at Kajang near Kuala Lumpur last May. His compatriot, Ms Julian Mary Miessen, 27, was ordered to stand trial on an amended charge of deliberately wounding Mr Mohamad's religious feelings by "nodding and smiling in order to show approval to words spoken by Nesdale."

Six African leaders gather to consider boycott of games

BY MICHAEL HOLMAN IN HARARE

THE LEADERS of six Southern African states gather here today for a meeting seen as critical to next week's Commonwealth Games and which could affect the future of the Commonwealth itself.

Mr Robert Mugabe, Zimbabwe's Prime Minister, has said that he will take a decision on his country's participation in the games in the course of today's discussion. Nine countries have already announced that they will not attend the Edinburgh games. Should Mr Mugabe and the other front-line leaders endorse a boycott, even more countries could stay away, including India, whose Government has said that its decision may rest on the outcome of today's meeting.

The group of six, known as the front-line states—Angola, Botswana, Mozambique, Tanzania, Zambia and Zimbabwe—will also be discussing Britain's opposition to fresh economic sanctions against South Africa.

President Kenneth Kaunda of Zambia, one of four Commonwealth leaders at today's meeting and who will be chairing the session, has already threatened to pull out of the organisation if Britain does not change its stand.

The meeting comes in advance of next week's visit to South Africa by Sir Geoffrey Howe, the British Foreign Secretary, for the second stage of the European Community's attempt to end violence and start negotiations between black and white in South Africa.

It also precedes the mini-summit of seven Commonwealth leaders—including Mr Mugabe and Dr Kaunda—which starts in London on August 3 and which will consider further sanctions against Pretoria in the wake of the failure of Commonwealth efforts to initiate constitutional talks in the Republic.

Nigeria yesterday reiterated its support for toppling the South African Government and said it had contributed $10m over the past year to bolster opposition movements and the front-line states, writes Mary Ann Fitzgerald from Nairobi. Nigerian Foreign Minister Bolaji Akinyemi said during a stopover in the Kenyan capital that Nigeria had aided Botswana and Zambia after the South African raids on installations of the African National Congress guerrilla organisation in May.

Although Mr Mugabe this week made it clear that he would prefer to fight the sanctions battle from within the Commonwealth, arguing that the break-up of the organisation would only bring comfort to Pretoria, most observers expect him to take a tougher line on the games.

Of the four Commonwealth countries due to attend today's meeting, Tanzania has already said it would boycott the games, while Dr Kaunda and President Quett Masire of Botswana are expected, like Mr Mugabe, to announce their decision today.

The front-line leaders are also expected to discuss the European Community's South Africa mission, which is led by Sir Geoffrey. The British Foreign Secretary, who visited Zambia, Zimbabwe and Mozambique last week during the first stage of his initiative, got a hostile response from Dr Kaunda and Mr Mugabe.

Evictions bring rent boycott to a head

By Bernard Simon in Johannesburg

TENSIONS OVER a prolonged rent boycott by residents of many black South African townships appear to be coming to a head as white-controlled local authorities start to evict householders whose payments are overdue.

The boycotts, organised by local community groups over the past 18 months, have important political overtones, raising fears of a further source of violence in the already tense townships. The town clerk of Tembisa, a residential area east of Johannesburg, warned this week that the authorities might call in troops to enforce rent payments.

A number of town councils in the Transvaal and Orange Free State began issuing eviction notices earlier this week, prompting a protest gathering by hundreds of defaulters in Soweto. Legal actions challenging the validity of eviction notices have been brought by some residents.

A research group at the University of the Witwatersrand said yesterday that rent boycotts are presently taking place in 28 townships. The group said they stemmed mainly from economic factors such as unemployment and inflation.

However, the boycotts have also been presented as evidence of the Pretoria Government's inability to administer strife-torn black residential areas.

Rents are virtually the only source of income for newly formed black town councils. The boycotts have placed a severe—though unquantified—strain on their budgets and have led to the collapse of several councils.

A Soweto council official said there was a list of 22,000 families waiting to occupy houses from which defaulters are evicted.

Suicide bomber killed in Lebanon car blast

BY NORA BOUSTANY IN BEIRUT

A WOMAN suicide driver died instantly when her car blew up yesterday in the main square of the Christian South Lebanese town of Jezzine some 30 kilometers north of the Israeli border. Local radio stations said seven Israeli intelligence agents were killed in the blast as they passed the suicide bomber's explosive-laden vehicle.

In Beirut, the National Syrian Social Party (NSSP), claimed responsibility for the operation and said the female martyr was a party member.

Jezzine, is the largest Christian town bordering an Israeli-defined security zone in South Lebanon and is controlled by Israeli-backed militiamen of the South Lebanon Army (SLA). It has been a haven for thousands of Christian refugees driven southwards from the Chouf mountains, the Iqlim al Kharroub region and villages east of Sidon over the past three years.

Ten minutes before the BMW car rocked Jezzine's main square, SLA men arrested a Syrian man driving another car-bomb. He was identified as Mr Ali Hesmieth, a Syrian national, local radio reports said. The NSSP said it could still not confirm the second incident and was awaiting a full report from its own observers in south Lebanon.

The NSSP has claimed credit for at least four of 19 suicide bombings against Israeli soldiers, intelligence agents and their local collaborators, the SLA, since last summer. Yesterday's attack was the first suicide mission in south Lebanon since April 8, which was claimed by the pro-Syrian Ba'ath Party.

Sri Lanka's party political confusion intensifies

BY MERVYN DE SILVA IN COLOMBO

THE SECOND session of the Political Parties Conference (PPC) convened by President Junius Jayewardene last month closes today with almost all political parties, participants and non-participants, making a contribution, large or small, to the prevailing state of total confusion.

"What the PPC has demonstrated is the grievously divisive impact of the ethnic conflict on the island's once well-established party system," says a leader of the Socialist LSSP.

Far from creating broad national consensus, or even a majority Sinhalese consensus, the conference has introduced new conflicts, altered old alliances and blurred the traditional ideological distinctions of Right, Left and Centre.

The 79-year-old President, a great gamesman, has finessed his only formidable opponent, Mrs Sirimavo Bandaranaike, the former Premier, by writing to her a letter widely publicised yesterday. He wrote that he would present to the conference the counter-proposals of her Freedom Party (SLFP), which is boycotting the conference in support of the party's demand for a general election soon. Mr Jayewardene says he will only consider 1989.

Though Mrs Bandaranaike reiterates her party's commitment to a "political solution," her real strategy is to mobilise Sinhalese opinion on this issue, isolate and weaken the right-wing UNP Government and force it to hold elections before 1989. The highly controversial 1982 referendum extended the term of the old Parliament, in which the UNP has a five-sixths majority, by another six years.

While her criticism of a "totally unrepresentative Parliament" is valid, whether her party, whose strongest base is the rural middle class, can produce a "parliament of the streets," or even mobilise a rank-and-file figure such as Pakistan's Benazir Bhutto is doubtful. Mrs Bandaranaike's line of attack on the Government's provincial autonomy offer makes obvious her target-audience. She denounces the offer as a surreptitious attempt to create a "federal structure" and "federalism," which is equated with "division" in the Sinhalese mind, the dirtiest word in their political vocabulary.

President Jayewardene (above) managed to finess only Mrs Bandaranaike

This stance draws support from the People's United Front (MEP) which has one MP in a House of 168. The MEP is a "Left Nationalist" party and nationalism, predictably, has outweighed socialism.

This is apparently not the case with the other supporter, the proscribed People's Liberation Front (JVP), which has branded the move as part of a plot by "Indian capitalists," "Tamil chauvinism" and the US Central Intelligence Agency (CIA) to divide Sri Lanka. The JVP, whose charismatic young leader, Rohana Wijeweera, collected a quarter of a million votes at the 1982 presidential polls, led the exclusively Sinhalese youth insurrection in 1971.

A "New Left" party, the NSSP, which has links with Britain's left-wing Militant group, is participating in the conference but not in the committees. This is also true of the Tamil Congress, once a rival of the main Tamil party (Tulf) but of little consequence today.

Tulf leaders who returned from exile in Tamilnadu, the southern Indian state with a 50m Tamil population, decided on direct talks with the Government without participating in the conference. But it is keeping a close watch on Sinhalese political trends and an even closer eye on events in Sri Lanka's Tamil North, where the army and Tamil guerrilla groups are fighting for control.

The wild card in the pack is the People's Party (SLMP), led by Mrs Bandaranaike's film-star son-in-law, Vijaya Kumaranatunge, and her younger daughter, Chandrika. With a fine sense of drama, both have made two trips to Madras and New Delhi, where they met the Tamilnadu Chief Minister, Mr M. G. Ramachandran, a former movie-star himself, the leaders of all the separatist rebel groups, and top Indian officials.

On Wednesday, Vijaya (whose name is the same as the first Sinhalese migrant from India 2,500 years ago) had a successful rally in Colombo, where he said "I am the only Sinhalese politician who had the guts to face the terrorist leaders and tell them we are against division but stand for peace and justice."

Mr Velupillai Prabhakaran, leader of the most powerful guerrilla group, the Tigers, described the couple as "enlightened Sinhalese" and hoped there were more like them in the new generation of Sri Lankans.

AMERICAN NEWS

Bernard Simon reports on the aftermath of extremist violence

Punjab troubles Canadian Sikhs

RAJINDER Singh Sidhu has not worn a turban or grown a beard since he left India 22 years ago. But since the Toronto police force decided earlier this year to allow Sikh officers to don their traditional headdress, Constable Sidhu and three other Sikhs on the force have come under pressure from orthodox Sikhs in the city to display their religious convictions more visibly.

Constable Sidhu's dilemma is a sign of how tensions on the Indian sub-continent have spilled over into a placid country 8,000 miles away to the discomfort of many of the estimated 110,000 Sikhs who have made Canada both their home and the embarrassment of the Canadian and Indian Governments.

A Canadian link has been established in much of the international violence stemming from Sikh anger at the government in New Delhi since Indian troops stormed the Golden Temple at Amritsar two years ago.

The strong political undercurrents in Canadian Sikh society were first publicised in March, 1982, when two Sikhs were shot dead and another wounded in a Toronto courtroom. Sikhs are presumed to have planted a bomb on the Air India flight from Toronto which exploded over the North Atlantic a year ago, killing all 329 aboard.

More recently, four Canadian Sikhs were charged last May with the attempted murder of a Punjabi state minister in British Columbia. Another 12 are under arrest in Quebec and Ontario. Charges against them include a conspiracy to blow up the Indian parliament buildings and to place a bomb on another Air India jet.

Incidents such as these are a blot on a country with little history of political violence and a proud record of racial tolerance. Canada has managed more successfully than most other Western countries to integrate a large and diverse influx of immigrants. Most Canadians readily accept the newcomers, but in return expect them to adjust to the Canadian tradition of an easy-going, non-confrontational lifestyle.

The tolerance still generally applies to the Sikhs as much as to the large numbers of Italians, Jamaicans, Vietnamese, Ukranians and many others who make up the pot-pourri of Canadian society.

Sikhs first arrived in Canada in the early 1900s as labourers in the west coast forestry industry. Numbers shot up in the late 1960s and early 1970s when lax immigration laws allowed temporary visitors to stay in the country while they applied for permanent residence. With Britain, Canada claims the largest Sikh community in the West. The biggest concentrations are in Vancouver and other parts of British Columbia, Toronto, Montreal and Winnipeg.

Canadian Sikhs at all levels complain bitterly that the local media has tarred the community with the misdemeanours of a handful of extremists. Constable Sidhu said: "If a Pakistani or a Briton is arrested, they never say it's a Pakistani or a Briton." Nonetheless, political events in their country of origin appear to have left a deeper impression on Sikhs in Canada than on other immigrant groups.

The Sikhs are a more cohesive unit than many other communities.

Events in India appear to have given the community a common purpose. Mr Suresh Bahalla, a Sikh and vice-president for capital markets at Citibank's Canadian subsidiary, observes that "you can't box emotions within national boundaries. I was never a practising or religiously aware Sikh until the Golden Temple thing started. Suddenly (the community) finds that religion has taken on a different meaning."

Religious fervour among Canadian Sikhs has been further fanned by the Indian Government's lukewarm response to anti-Sikh violence following Mrs Indira Gandhi's assassination, and the delay in transferring the city of Chandigarh to Punjab as the state capital.

Gurcharan Singh Jauhal, general-secretary of one of Toronto's most popular gurdwaras (temple), says that since the Golden Temple attack, even Canadian Sikhs "understand that if we don't show we're Sikhs, people may think we've forgotten our religion."

The resulting political activism in sections of the community has created a delicate situation for the authorities. They are aware of the dangers of offending a sizeable ethnic group by interfering in its political disputes. On the other hand, Ottawa's priority is to prevent Canada becoming a battleground for a political dispute in a distant country.

The official view is that the Sikh community is generally a welcome and valuable piece of Canada's multicultural jigsaw puzzle. The Toronto police force has encouraged local Sikhs to become more active in the society at large, for example, by organising blood donor clinics and taking part in charity sports events.

But there is another side to the coin. The Canadian Security Intelligence Service says that information which it gathers on Sikhs is passed on to law enforcement agencies in Canada and other countries.

Sikhs suspect that the collaboration goes further. They see diplomatic pressure from India behind the refusal of a Montreal court to grant bail to the group of Sikhs recently arrested in the city, even though the men had no criminal record and were willing to post bail running into millions of dollars.

Local Sikhs are convinced that India has infiltrated informers and secret agents – with or without the knowledge of the Canadian authorities – into their community.

The Sikhs would like both the Indian and Canadian Governments to take less interest in their affairs. Some are concerned that the spate of incidents involving Sikhs (especially the publicity surrounding them) threatens to turn Canadians against the community as a whole.

But Sikhs in Canada probably do not have the solution to their problems in their own hands. As Canada's national newspaper, the Globe and Mail, commented last month, "the 'Sikh problem' in Canada is unlikely to be resolved while the alienation of the Sikhs in India gathers momentum."

Surinam takes first step towards civilian rule

BY CANUTE JAMES IN KINGSTON

SURINAM'S military rulers have taken the first steps in a promised return to civilian, democratic rule early next year, in the apparent hope of appeasing reluctant foreign donors and stemming a deterioration in the economy of the former Dutch colony in northern South America.

Lt Col Desi Bouterse, who has been the effective ruler since the army staged a coup in 1980, this week formed a new Cabinet which includes representatives of the private sector, trade unions, three leading political parties and the army. The Cabinet is headed by Mr Pretaapnarain Radhakishun, a prominent businessman.

Despite the new Cabinet, Col Bouterse remains in overall control of the country of 350,000 people.

WORLD TRADE NEWS

Chinese trade deficit falls sharply to $1.2bn

BY ROBERT THOMSON IN PEKING

CHINA'S trade figures for the first half of 1986 showed a marked improvement on last year's poor performance, but a continuing deficit highlights one of the main reasons behind the recent devaluation of the Renminbi, the Chinese currency.

The country recorded a deficit of $1.24bn (£821m) for the six months, 61 per cent lower than the $3.16bn deficit for the same period last year, according to figures released by the Ministry of Foreign Economic Relations and Trade (Mofert)—one of four organisations that often release conflicting trade statistics.

Peking recently devalued the Renminbi Yuan by 15.8 per cent in an attempt to encourage Chinese producers to export goods, rather than sell on the lucrative domestic market.

Local producers, like the many foreign companies, have been able to tap strong demand by Chinese consumers in the past two years.

The Mofert figures show that after an intense campaign to encourage exports, export value rose by 13.7 per cent in the first half.

The fall in the deficit was helped by tough controls on imports which fell by 2.7 per cent in the period.

China's largest trading partner, Japan, has been particularly hard hit, recording an export fall of just over 20 per cent, compared to a 72.9 per cent increase last year.

A diplomat believes tight government control over imports has helped to correct the balance of payments, and the devaluation will further improve the situation.

The devaluation is likely to complicate the problems affecting joint ventures which rely on imported materials.

The high-profile American Motors Corporation (AMC) project to produce jeeps in Peking, for example, stalled when the foreign exchange needed for imported car kits dried up.

A senior Chinese planning official admitted that those joint ventures would face extra problems. Another diplomat said that if the devaluation succeeds in increasing foreign exchange earnings, the government will ultimately be able to slacken its tight grip on the foreign exchange available for joint ventures.

The devaluation could mean that the cost of doing business in China is reduced, but Chinese enterprises habitually increase prices for their goods and services to foreign clients after any fall in the yuan's value. Several hotels housing foreign business people have already announced rate increases.

The trade deficit that the Government has sought to reduce by devaluation has been a politically sensitive issue. Senior officials who believe the economic reforms have gone too far, portrayed it as a sign that the country had over-extended itself. For some Chinese, the large deficit—estimated last year by the Customs Ministry to be $14.9bn—was also an indication that the country was exploited by its trading partners.

The import restrictions have been crude but effective. The lifting of export incomes, however, needs foreign technology and expertise for modernisation, which costs money and the oil price slump reduced availability of finance.

Mofert admitted that the drop in petroleum export values in the first six months was "remarkable," and cited a 36.9 per cent increase in non-petroleum exports as evidence that a more diversified export sector is developing.

China has approved a $21m joint venture involving a unit of R. J. Reynolds Industries to make 2.5bn cigarettes a year in China, Reuter reports from Peking.

The new entity, Hua Mei *Cigarette is jointly owned by* R. J. Reynolds Tobacco International (Asia Pacific), the Xiamen Tobacco Factory and the Joint Development Corp of the Xiamen special economic zone.

Construction of the factory which will produce Camel, Winston, Salem and Gongtong brands, will begin on September 1, and production is due to start in 1987.

India and Iraq agree oil for debt deal

By K. K. Sharma in New Delhi

IRAQ HAS agreed to pay 60 per cent of the $200m (£132m) it owes Indian construction companies in the form of crude oil to be shipped this year. The remaining 40 per cent will be deferred for three years.

An agreement on the payment was reached in Baghdad earlier this week in talks between Indian and Iraqi officials.

The payments are owed to about 60 Indian companies for construction work carried out in the past few years as part of Iraq's plans to strengthen its economy before the war with Iran.

India imports about 2.5m tonnes of crude from Iraq a year. Under the latest agreement, India will pay half the amount due this year in cash, the remainder will be adjusted against Iraqi debts to the Indian construction companies.

The price of Iraqi crude will be related to world prices and the agreement stipulates that negotiations on new terms will be held each year.

The debt problem with Iraq first arose in 1983 because of the continuing Gulf war.

The Iraqi government then asked India to defer payment of dues for two years, and the request was renewed last year.

But when Iraq sought more time for payment last month, New Delhi sent officials to Baghdad for talks.

Japan in UK leasing venture

ORIENT LEASING, Japan's largest leasing company, is setting up a joint venture with Lombard North Central, a UK company, to develop lease business for Japanese office automation equipment in the UK, reports Ian Rodger from Tokyo.

Lombard, which is wholly owned by National Westminster Bank, and Orient will each own 50 per cent of the venture, to be known as Lombard Orient Leasing.

Its initial paid-up capital is £1m, and the company expects its first-year business volume to reach £15m.

EEC, Japan wine talks deadlocked

BY CARLA RAPOPORT IN TOKYO

JAPANESE and EEC officials yesterday failed again to settle their long-running dispute over the high taxation of European wines and spirits sold in Japan.

"Frustration and irritation is growing. The sentiment in Europe . . . is nearing outrage," said Mr Raymond Phan Van Phi, director of relations with Japan for the commission following talks with Japanese officials.

If the dispute were not settled soon, Mr Phan Van Phi said the Community may consider referring the issue to the General Agreement on Tariffs and Trade or taking action similar to those suits launched in the US under Section 301 of the US Trade Act.

European officials have long charged the Japanese with imposing discriminatory taxes on imported spirits and wine. EEC officials repeated their request that Japan should tax imported liquor on its alcohol content, as was the case in the US and Europe.

Japan has a complicated taxation system which is based on price for wines and the grade of spirit for whiskeys.

As a result, imported whiskeys and brandies are taxed two times as much as first-class Japanese whiskey and brandy, and six times as much as second class Japanese spirits.

Mr Phan Van Phi said that while discussions with Japanese officials were friendly, the responses were defensive.

"They were trying to explain that the system is based on historical and cultural traditions which date back to the 19th century. None of these was satisfactory.

"As for where their thoughts may go (on future policy), there was no indication," he said.

In bilateral talks following the recent Tokyo summit, Prime Minister Yasuhiro Nakasone indicated to Mrs Margaret Thatcher, the British Prime Minister, that Japan could consider reforming the liquor tax system as part of a general tax reform programme later this year.

● Japan's newly-elected government is committed to ending trade friction, but not at the expense of stifling free trade, Mr Michio Watanabe, Minister of International Trade and Industry, said yesterday, Reuter reports from Tokyo. He said that Japan would continue to fight against protectionism.

He said his ministry could help to cut Japan's trade surplus with the US through such measures as administrative guidance to encourage Japanese industry to purchase more US products.

As for the US-Japan semiconductor trade talks, he said Japan's free market economy could not guarantee a specific volume of US semiconductors sold in Japan.

Japanese semiconductor manufacturers fear the US may be allowed to raise its share of Japan's market from 10 per cent to at least 20 per cent.

Mr Watanabe said he favoured discarding measures such as Japan's voluntary restraints on car exports, but his ministry had made no decision on policy after current restraints ended in March, 1987.

Turkey steps up Ozal projects

BY DAVID BARCHARD IN ANKARA

TURKEY is negotiating with US, British and European companies for the possible construction of more than half a dozen major infrastructural projects on the lines of the "build-own-operate" (BOT) model developed by the government of Mr Turgut Ozal, the Prime Minister.

Ankara is currently finalising negotiations with three separate consortia led respectively by Bechtel of the US, Westinghouse and Seapac of Australia, and BBC of Switzerland for three giant coal-fired power stations of around 1,400 mW each.

Under the so-called BOT model, also known as the Ozal model, foreign partners set up a joint venture with a Turkish public sector corporation and operate a plant for up to 15 years on a profit-making basis before handing it over to Turkey.

Mr Turgut Ozal

The method has been hailed by the Turkish government as a more reliable instrument to finance big infrastructural deals than traditional banking methods, even though it appears to be slightly more expensive.

Two free trade zones, at Yumurtalik near Aadana and Nemrut near Izmir on the Aegean coast, as well as a second terminal for Istanbul airport, and a major world trade centre in the capital are now designated for construction under the model.

A senior official at the state planning organisation declined to give names of the companies he was currently negotiating with but said they included major British and American construction corporations.

The new terminal would cost at least $100m, he said, while the world trade centre would cost $300m. The Yumurtalik free zone would cost about $250m and Nemrut around $150m. There would have to be contracts for management as well as construction, he said.

Bekaert may set up plant near Istanbul

By Paul Cheeseright in Brussels

BEKAERT of Belgium, the world's largest independent steel wiredrawing group, is planning a further international expansion, this time into Turkey.

It has signed a letter of intent with Sabanci, the Turkish conglomerate, for studies that could lead to the establishment of a new steel cord plant at Izmit, 100m east of Istanbul.

The plant, providing cord for radial tyres would use Bekaert technology, but, in equity terms would be a joint venture, serving tyremakers in Turkey and adjacent countries. Market studies of the tyre potential of the region are underway.

In the event of a decision to go ahead, the new plant would start small and build up, aiming in the first instance to satisfy a third of the potential demand. This would hold Bekaert's initial investment to under $20m.

This year Bekaert has pushed ahead rapidly, taking decisions to set up a second plant in the US and a new plant in Australia. It has a joint venture in India ready to start, pending Government approval.

● Tractebel of Belgium has won a contract to build a factory in the Soviet Union capable of producing 700,000 bicycles a year.

The plant is due to be built by the end of next year by the group's Tractionel Engineering International unit.

Iran in talks on crude oil pipeline

BY OUR ANKARA CORRESPONDENT

TURKEY and Iran are discussing the construction of a pipeline to carry Iranian crude oil to the Mediterranean. Mr Mohammed Asimi Pour, the Iranian deputy minister of oil, completed preliminary talks on the project this week.

They will be resumed on July 20, when Mr Mustafa Tinaz Titiz flies to Teheran. Turkish officials, however, stress that no agreement on the pipeline has yet been concluded and there is no indication of how the scheme could be financed.

Iran has been talking about the possibility of a pipeline running through Turkey for nearly 20 years, but even in the Shah's time the cost of the project was regarded as prohibitive.

Mr Asimi Pour said yesterday that it would cost between $3.4bn and $4bn.

He added that Iran is also conducting feasibility studies on the construction of a natural gas pipeline to Turkey.

Turkey has two pipeline links with Iraq and throughput is around 50m tonnes of Iraqi crude a year.

Iran has long been unhappy at the existence of the Iraqi pipeline, though it has refrained from attacking it during the Gulf war, evidently after warnings from Turkey.

Poland signs £100m UK accord

BY FRANK GRAY

BRITISH private sector and Polish Government trading interests have signed a £100m reciprocal accord aimed at boosting bilateral trade.

The agreement calls for the two countries to exchange goods to a value of £50m each during a five-year period.

The aim is to boost Poland's hard currency earnings and to give British companies an entree to a market which is difficult to sell into because of Poland's debt problems and the restricted export credit insurance coverage.

The agreement was signed in Warsaw by representatives of Goodwood, a UK-based trading company set up this year by Midland Bank, and Dal International Trading of Poland. Midland and Bank Handlowy of Poland would co-operate on financing bilateral trade in the form of suppliers credits offered by British exporters.

The arrangement is unusual in that it allows a British lending institution to provide export finance to debtor nations without exposing it to sovereign lending that might become involved in debt rescheduling.

The finance to support the agreement is dependent on Poland achieving the agreed level of exports.

Some four tranches of potential contracts are close to implementation but remain to be finalised.

Britain's exports to Poland last year were worth £184.1m compared with imports of £320.3m. In the January-May period this year, exports were worth £69.5m against imports of £127.8m.

It is the second such deal entered into by Goodwood and Midland this year. In January they signed a reciprocal trade accord with the Cuban Government calling for Britain to export some £150m in goods to Cuba over a five-year period in return for importing or re-exporting some £200m in Cuban goods over the same period.

AMERICAN NEWS

Fears of weakness in housing industry

By Stewart Fleming in Washington

CONCERN that weakness in the US economy is spreading to the housing industry, in spite of falling interest rates, deepened yesterday when the Commerce Department reported that housing starts dropped in June for the second consecutive month.

The department also reported a decline in the issue of new housing permits which are generally seen as an indicator of future construction activity.

The housing industry has been one of the few sectors of the economy to respond to falling interest rates. Even after the declines in May and June, housing construction in the first six months of the year is running some 9 per cent ahead of last year's level and appears to be headed for its best year since 1978.

But rising house prices and lengthening queues as a result of increased demand for mortgages, in part because of a rush to refinance old loans at lower rates, are seen as factors which are holding back new construction.

Another important constraint in the market is that once buoyant housing markets in the south and the oil producing states of the south-west are in a slump.

Pakistan 'has no intention of building bomb'

MR MOHAMMAD Khan Junejo, the Prime Minister of Pakistan, said yesterday his country had no intention of building a nuclear bomb, and that its uranium enrichment programme is for peaceful purposes, AP reports from Washington.

Mr Junejo, whose Government would lose US financial assistance if Washington determined it had built a nuclear bomb, was asked why Pakistan was attempting to develop and store enriched uranium.

"The fact is that our enrichment programme is up to the maximum limit of 5 per cent, and that is going to be for peaceful purposes," he said.

'BREAKTHROUGH' AT PARIS MEETING

Washington offers to boost IDA funds by $200m

BY DAVID MARSH IN PARIS

THE US says it is ready to increase its funding to the International Development Association (IDA), the soft loan affiliate of the World Bank which gives assistance to the most needy developing countries, by about $200m (£132m) a year.

The offer, made at a meeting of donor countries in Paris, underlines Washington's decision to take a much stronger interest in IDA as part of the Reagan Administration's reappraisal of its role in international economic policy-making during the past two years.

Mr Moeen Qureshi, senior vice president in charge of finance at the World Bank, said the meeting had achieved a "major breakthrough. The US funding offer ensured that IDA resources available for disbursement over the three years starting July 1 next year would be at least $11.5bn and possibly $12bn, compared with the below-target amount of $9bn being distributed by IDA over the current three-year period, which started in 1984, he said.

Washington's readiness to put up roughly $950m a year for IDA from 1987 onwards contrasts with the annual sum of $750m it agreed to pay in the often acrimonious negotiations three years ago over the previous round of IDA replenishments.

Because of budgetary cuts in Washington, the latest annual US funding for IDA has in fact been cut to $870m, which means that the latest proposals add up to a spending rise for the US of nearly $300m a year.

However, as part of efforts to increase cash flow for IDA in later years, poorer countries will have to pay back IDA funds earlier. Maturities for IDA loans from next year will be cut to, at most, 40 years, or, if the US has its way to 35 years, from the present maturity of 50 years.

The loans will, however, continue to be made at zero interest, with 10 years' grace periods, although IDA will be making greater efforts to make sure that funds are disbursed in line with economic adjustment programmes decided by the International Monetary Fund (IMF).

A minimum of 45 per cent of the funds will got to sub Saharan Africa—with France pushing for a share of 50 per cent—while around 30 per cent should be devoted to India and China.

Western nations agree to Cuban rescheduling

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

WESTERN Governments have agreed to reschedule their credits to Cuba which is wrestling with a shortage of foreign exchange as a result of a short fall in export receipts from sugar and refined oil products.

The agreement was reached late on Wednesday night in negotiations between Mr Hector Rodriguez Llompart, Central Bank Governor, and governments grouped together in the so-called Paris Club of creditor nations.

No details of the agreement have yet emerged, but the announcement has set a slightly more positive background for talks due today between Mr Llompart and the Credit Lyonnais-led advisory group of commercial creditors which is also being asked for a rescheduling and fresh finance.

None the less bankers said the Cuban situation remains worrying. The country has already started deferring payments of interest and principal due to bank creditors and is seeking to reopen previous rescheduling agreements. Despite the Paris Club accord these factors mean their own negotitations with Cuba could be long and arduous.

Foreigners push for changes to tax bill

By Nancy Dunne in Washington

A HOUSE-SENATE conference committee yesterday began efforts to write a final US tax reform bill, amid heavy lobbying by foreign governments concerned that some of the proposed legislation would injure their business.

Complaints by some of the US's closest trading partners were conveyed to the conferees this week in a letter written to the chairman of the tax writing committees and signed by the European Commission, Japan and eight European countries including the UK.

One of the more incendiary proposals—for an introduction of a profits tax on foreign bank branches in the US—is "a discriminatory surtax on foreign banks' operations," according to the Institute of Foreign Bankers. The British Embassy said that complaints from foreign interests had succeeded in diluting the Senate version of the proposal.

Of particular concern to the UK is another proposal in the House bill to increase the rate of federal excise tax on casualty reinsurance paid to foreign insurers.

In a letter to the Treasury, Mr Richard Allen, the British economic counsellor in Washington, argued that passage of the provision would be a breach of the UK-US double taxation convention. He said the association of British Insurers and the UK Government have lobbied successfully with assistance from the US Treasury, to have the proposals dropped from the Senate bill and the outlook is good that the House-Senate conferences will agree.

On shipping issues, both the House and Senate have proposed that for tax purposes a ship's nationality be the same as the country of residence of its owners rather than its country of registration. They have also proposed a 4 per cent withholding tax on gross transportation income. The UK and 12 other member countries of the consultative shipping group have complained twice to the State Department about the provision, arguing that it is discriminatory and incompatible with provisions in a number of bilateral commerce and navigation treaties to which the US is party.

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Cabinet opens way for tough spending talks

BY PETER RIDDEL, POLITICAL EDITOR

THE CABINET yesterday confirmed the existing public expenditure planning totals for the rest of the decade, leaving until the late summer the key decisions on the size of individual spending programmes.

There will now be tough negotiations between the Treasury and spending departments to reconcile bids of £6bn to £7bn above existing plans within the overall total of £144bn, for 1987-88.

Ministers and officials already accept that this is almost certain to require the re-establishment in October of the so-called Star Chamber Committee, probably chaired by Lord Whitelaw, leader of the Lords, to arbitrate.

Yesterday's decision has no immediate implications for the size of possible tax cuts in the next budget, in view of the considerable uncertainty over revenue receipts, particularly North Sea oil. But most ministers believe it will be possible both to raise spending on some priority programmes and to reduce income tax next year.

The decision yesterday, which covered the general economic prospects as well as expenditure, was apparently low-key and lasted less than 90 minutes. One participant described it as "a preliminary canter round the course."

Almost all ministers contributed and the main debate was about expenditure priorities and the standard of public services within agreed totals. Mr Peter Walker, the Energy Secretary, apparently said it was a "ludicrous procedure" to confirm the global total at this stage, but he is said to have received little support. That was in contrast with the early 1980s, when several ministers urged higher expenditure to reduce unemployment.

A Downing Street spokesman said Mr John MacGregor, the Chief Secretary of the Treasury, would "as usual now hold bilateral discussions working within the existing and published planning totals of £144bn for 1987-1988 and £149bn for 1988-1989. A new planning total of £153bn has been set for 1989-1990." Those figures imply a broadly unchanged trend of spending in real terms.

However, some senior ministers believe that in the end an increase in the total for 1987-88 above £144bn may be inescapable when final decisions are taken in the autumn. Those ministers argue that there is much less room for manoeuvre than last year and the political pressures are greater with the approach of a general election.

For instance a government statement next week will confirm that an additional £3bn-plus has been allocated to local councils, including education authorities, in the provisional rate (local property tax) support grant settlement, for 1987-88. That will be provisionally counted against the contingency reserve, of £6.3bn for 1987-1988.

Some other bids will come from that reserve, but it is highly unlikely that more leeway can this year be provided by raising the target for privatisation proceeds above the forecast figure of £4.7bn a year. In last year's discussions, the privatisation forecast was raised by £2.2bn

Privatisation proceeds are counted as negative public spending.

Mr MacGregor, has already impressed on colleagues his political sensitivity and acceptance that more should be spent on some priority areas such as education, health and housing, which have considerable party support. But the Treasury would like any increases restricted to amounts in areas with the most visible political impact, such as, for example, hospital waiting lists.

THATCHER REJECTS CALL TO RAISE EXPENDITURE FOR JOB-CREATION

Unemployment total climbs to 3.22m

BY GEORGE GRAHAM

UNEMPLOYMENT in Britain continued its steady rise last month and is now increasing by around 15,000 a month, according to figures published yesterday by the Department of Employment.

The seasonally adjusted unemployment total rose in June by 15,000 to 3.22m, excluding school leavers. That was 106,000 higher than a year earlier.

Although the overall unemployed total, including school leavers, fell by 42,000 to 3.23m, that was less than the usual seasonal drop in unemployment in June. A further 100,802 school leavers are looking for work but are not yet counted in the jobless total since they cannot claim benefits.

In the House of Commons, Mrs Margaret Thatcher, the Prime Minister, described the unemployment figure as "deeply disappointing," but she rejected a call from Mr Neil Kinnock, Leader of the Opposition, for increased public spending to create jobs.

Unemployment began to rise again in December after remaining steady through most of 1985, and the latest statistics suggest that it may have accelerated. Over the last six months, the average rise in unemployment has been 14,700 a month.

The unemployment rate rose in June to 11.7 per cent under a new method of calculation introduced this month. The UK's rate is higher than any other significant Western nation except Spain and Ireland, using the standardised definitions of the Organisation for Economic Co-operation and Development (OECD).

The new method expresses the rate as a percentage of the total workforce, whereas the self-employed and the armed forces used to be excluded from the calculation. Under the old, narrower definition, the seasonally adjusted unemployment rate in June was 13.3 per cent.

The number of those employed in the UK is estimated to have increased by 25,000 in the first quarter of 1986 to 24.03m. Lord Young, the Employment Secretary, said yesterday that that took the number of new jobs created since March 1983, when employment levels reached their lowest point, beyond the 1m mark.

Within the total of 1.02m new jobs, however, 589,000 are represented by women working part-time. There has been a net loss of 51,000 male full-time jobs and of 10,000 female full-time jobs.

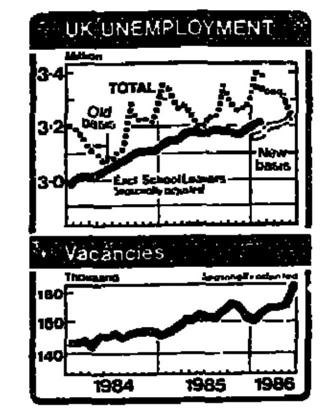
The numbers of self-employed are estimated to have risen by 488,000 over the period, with 319,000 of them male and 168,000 female.

Recent figures for manufacturing industry show a loss of 21,000 jobs in May, a worsening of the steady decline in employment in the sector since the faster slump between 1980 and 1983. For the past six months, manufacturing employment has been declining by an average of 10,000 a month.

Average earnings continued to rise at an underlying rate of 7½ per cent, as they have in every month but one since July 1984.

Tom Lynch writes: In the House of Commons, Mrs Thatcher argued that the Government had done "a very great deal" for the unemployed, spending £8.5bn over the last five years on employment measures and the youth training scheme.

Mr Kinnock said that argument did not stand up, since manufacturing jobs had been disappearing at the same time as public spending was being cut, throwing building workers out of work. "Stop dodging and start building," he said.



Trusts fail to secure PEP tax privileges

BY CLIVE WOLMAN

INVESTMENT TRUSTS have failed in their campaign to win the same tax privileges for investors in their shares as will be granted to investors in stock-market-listed trading companies under the Government's proposed personal equity plans (PEPs).

Smaller PEP investors, however, have been granted more latitude than expected by a Government announcement yesterday. They will be able to put all or most of their money into unit trusts or investment trusts or to have their share portfolios managed on a pooled basis by a professional fund manager. In addition, PEP managers will be exempted from many of the restrictions on selling shares to private investors.

In March, the Government announced proposals to encourage individual share ownership by exempting shares held in specially designated PEPs from capital gains tax and the dividends from those shares from income tax. The original proposals, to exclude any form of unit-trust investment, were modified after protests that the costs and the risks of buying and selling individual shares were too high for small investors. The plans will take effect from January.

Mr Norman Lamont, financial secretary to the Treasury, said in answer to a parliamentary question that smaller investors in PEPs would be allowed to invest up to a maximum of £420 a year in unit trusts and investment trusts. Those investing in PEPs sums of more than £1,680, up to the annual maximum of £2,400, would be able to allocate up to 25 per cent of their investment to unit trusts or investment trusts.

Investment trusts have claimed that they should be treated more favourably than unit trusts as they are quoted companies with annual reports and shareholder meetings. However, under the terms of the latest PEP proposals, the only way they could still qualify for the full tax privileges would be by abrogating their investment-trust status and becoming ordinary investment companies.

Mr Lamont also said that amendments were to be introduced to the Financial Services Bill, now passing through Parliament, to allow PEP managers to advertise a share management service.

BT chairman gains pay rise of £60,000

By Lionel Barber

SIR George Jefferson, chairman of British Telecom, has received a £60,000 pay rise.

According to BT's annual accounts, Sir George earned £172,206, against £111,399 in the 12 months to March 1986, a 55 per cent increase on the previous year. In 1983, before BT was privatised, Sir George earned £67,980.

Only two other unnamed BT directors earned more than £100,000. In 1985-86, BT made £1.82bn pre-tax profits on £8.38bn turnover. Excluding directors and employees working outside the UK, 491 employees earned more than £30,000 a year out of a total group workforce of 235,988.

The BT report makes no mention of its attitude to the Labour Party's plans to renationalise the company in some form if it wins the next general election.

The annual report shows the extent of BT's commitment to modernising its telecommunications systems. In 1985-86, it spent £1.97bn. Further commitments for capital expenditure not provided for in the accounts amount to £2.1bn, of which £1.28bn refers to contracts placed

Demand for Euratom check on Sellafield

BY IAN HAMILTON FAZEY

THE ISLE of Man Government is to press for international inspection by Euratom of the Sellafield nuclear reprocessing plant in Cumbria, in North-west England. Sellafield is about 30 miles (from the Isle of Man across the Irish Sea.

The island government has also adopted an official policy that the Sellafield plant should be closed. It does not see that as attainable so much as helping it to achieve concessions in its dealings with the British Government, which it believes has paid scant attention to its views so far.

That was made clear yesterday by Dr Edgar Mann, who, as chairman of the Manx Executive Council, is the island's "Prime Minister". He said that international publicity about Sellafield had already affected shellfish exports to the US.

Dr Mann added that concern was also being expressed by tourists and people thinking of setting up businesses on the island. Tourist business in May and June combined was 6 per cent down on last year.

What has incensed the islanders is that they thought they had an agreement with Britain to reduce Sellafield's discharges to nil by the end of this year. Dr Mann and colleagues were supposed to discuss the situation with Mr William Waldegrave, the British Environment Minister, but had to see officials instead. The talks revealed that nil discharge could not be achieved before 1991.

Meanwhile, public opinion on the island had been inflamed by leakages at Sellafield and by the Chernobyl accident in the Soviet Union.

British suggestions that British Nuclear Fuels (BNFL) experts should go to the island to explain that discharge levels are so low as to constitute no danger were rejected. Dr Mann said: "We have been assured for years that the discharge is safe. This year we have learned that claims made in the past seriously understated the true position. BNFL's experts have no credibility. If they came here, they would be howled down."

The Manx Government is also to contact all regional and national authorities around the Irish Sea to help to ensure co-ordinated action.

Campaign launched against Gold Fields

ANTI-APARTHEID movement leaders yesterday launched a campaign against Consolidated Gold Fields, one of the largest South African gold-mining companies, which has extensive interests in the UK through Amey Roadstone Corporation (ARC), its quarrying subsidiary, **Stefan Wagstyl writes.**

Mr David Warburton, principal national officer of the General, Municipal and Boilermakers' Union, said his union would be putting pressure on local authorities to reconsider their policy of awarding contracts to ARC.

Mr Warburton's appeal followed a move by Birmingham City Council to bar companies with South African links from tendering for a £1m motorway contract. The Department of Trade and Industry intends to try to stop the council from introducing such a "non-commercial clause" into a contract.

Mr Warburton was speaking at a press conference to launch a report on Consolidated Gold Fields, entitled Partner in Apartheid, which accuses the London parent company of being responsible for the activities of its 48 per cent-owned South African associate, Gold Fields of South Africa. The group rejected the argument.

The (black) South African National Union of Mineworkers said Gold Fields was one of the worst employers among South African mining companies. It had destroyed any attempt at unionisation.

Consolidated Gold Fields declined to comment.

□ POLLING took place yesterday in the parliamentary by-election at Newcastle-under-Lyme in North Staffordshire.

The by-election was caused by the resignation of Mr John Golding after his appointment as general secretary of the National Communications Union. He held the seat for Labour with a majority of 2,804 over the Conservatives at the 1983 general election.

His wife, Mrs Llin Golding, aged 53, replaced him as the Labour candidate. The Conservative candidate was Mr Jim Nock and the Liberal Mr Alan Thomas.

□ JAGUAR, the luxury cars group, is on target to produce a record 42,000 cars this year in spite of the upheavals associated with the launch in the autumn of its new XJ40 saloon, successor to the bestselling XJ6.

Output is likely to rise by 9 per cent from last year's 38,500, the company said when reporting that first-half production rose by 1,854 cars to 22,049.

Progress continued in the first week in July when more than 1,000 cars were produced for the first time in Jaguar's history.

□ A CONSORTIUM of British publishers is to set up an archive of books, journals and reference material in electronic form.

The aim of the venture, called Knowledge Warehouse, is to preserve electronic versions of books that might be destroyed and to exploit those versions commercially.

Thirty-five publishers are backing the initiative, which is supported by funds from the Department of Trade and Industry and the British Museum. The publishers involved include Butterworth, Macmillan, Longman, Oxford University Press and Pergamon.

□ THE FALKLAND Islands Development Corporation (FIDC) last year invested a total of £3m in its first full year of operation. The FIDC, formed in July 1984, has now nearly exhausted its initial £4m capital and is negotiating with the British Government for a fresh input of funds.

□ EUROPEAN Ferries' chairman Mr Ken Siddle has stepped down after three years in the post but remains group managing director. He is succeeded as chairman by Mr Geoffrey Parker, a fellow director.

□ THE MAIN regional independent television (ITV) companies have launched a campaign to try to gain greater access to the ITV national network, dominated at present by the "big five" ITV companies.

Retail sales volume less than expected

BY WALTER ELLIS

UK RETAILERS recorded somewhat less increase in sales volumes in June than had been expected, according to the latest Confederation of British Industry (CBI) - Financial Times survey of the distributive trades, published yesterday. Wholesalers did rather better.

The motor trade reports no change on June, 1985, but it expects a slight improvement in July. Overall, distributors' sales volumes rose last month by the same margin as in May. A balance of 38 per cent of industry respondents (out of 590 who took part) reported sales higher than 12 months previously, while a balance of 36 per cent expects increased sales in July.

Asked for their assessment of sales for the early summer, a balance of 29 per cent of those questioned said sales had improved in June, against just 12 per cent in May. Nearly a third appear more confident about the prospect for July.

Earlier in the year, the volume of sales was depressed by poor weather. Yet the improvement since then still leaves the sales trend sharply down on the situation a year ago.

In the retail sector, a balance of 44 per cent of respondents reported increased sales in June, compared with the 52 per cent who had expected an increase when questioned in May. Two thirds recorded an improvement, while just over one in five saw their sales decline.

Footwear and leather shops reported the best increases: grocery stores were also buoyant. Only booksellers and stationers reported sales down on a year ago. As expected, orders placed by retailers rose more slowly in June after a sharp improvement in May. The CBI notes that stock levels remain excessive but it expects that situation to ease in July.

Wholesalers saw their sales volumes rise only slightly in June, with the balance of respondents reporting an improvement rising to 40 per cent from 36 per cent in May. There was also an upturn in relation to sales for the time of year. On both counts, however, there is little expectation of a sales surge in July.

The food and drink and miscellaneous sectors did best in June. Industrial materials, farm machinery, clothing, textiles and footwear and machinery and office equipment all reported a deterioration.

Orders placed by wholesalers last month rose on balance, but slightly less than had been forecast. Many fewer respondents expect to place larger orders in the course of this month.

The stagnation in the motor trade continues. Sales last month were almost exactly as they were in May, and only a handful of dealers expect an improvement in July. Traders in parts and accessories reported better business than their showroom colleagues.

Stocks within the motor sector remain high, although the balance reporting a surfeit of unsold vehicles fell slightly in June, to 10 per cent.

Torpedo plan attacked for being '20 years late'

BY DAVID BUCHAN

AN INFLUENTIAL parliamentary committee yesterday criticised the Ministry of Defence (MoD) for being 20 years late in seeking international collaboration in the UK heavy-torpedo programme, which has been plagued by delays and large cost overruns.

However, in its report, issued yesterday, the House of Commons public accounts committee welcomed the MoD's progress in obtaining better value for money from the resources invested in the torpedo programme, in particular by stronger management, the introduction of payment by results and more competition.

In evidence to the committee in May, Mr Peter Levene, Chief of Defence Procurement, said there was a good chance of collaborating with allies, particularly with France, on the next generation of heavyweight torpedoes.

The committee said: "But in view of the MoD's poor record in controlling costs and in their failure adequately to secure competition and international collaboration as a means of achieving better value for money, we reserve judgment on whether there is sufficient evidence of determination to control expenditure on defence equipment, which has been one of the most conspicuous records of failure in the whole field of the public accounts."

The report focuses on two weapons systems - torpedoes and nuclear missile submarines - which are made only by Marconi Underwater Systems (MUSL) and Vickers Shipbuilding and Engineering respectively.

However, Mr Levene says in his evidence that MUSL's monopoly on torpedoes might be loosened in future. Although MUSL has the development contract for the Spearfish heavy torpedo, designed to succeed its troubled Tigerfish system, "there is a strong possibility that we will have two or more viable bidders" for the main Spearfish production contract, to be let in a year or so.

Having made the introduction of more competition his priority, Mr Levene says that is an area "where in the past it was believed that we could not have more than one source of supply."

The committee notes that the MoD had saved £25m on the purchase of the first Trident submarine because it had placed the order just as the Vickers yard at Barrow was being privatised.

Although the UK had only one yard capable of building Trident, the Government was able to play the two, private consortia bidding for the yard against each other

The committee expresses the hope that Government-funded submarine facilities for Vickers will lead to greater productivity at the yard, and that that will be "reflected in the prices for later submarines which will not be subject to competition."

40th report from the PAC 1985-86. The Torpedo Programme and Design and Procurement of Warships. HMSO, £3.10.

Oil price fall dries up industry claims for coal conversion aid

BY MAURICE SAMUELSON

THE FLOW of British companies seeking government aid for converting their plant to coal has virtually dried up since the beginning of the year as a result of the collapse in oil prices.

The Department of Energy, which has a fund of £25m a year to assist the switch to coal, says that since the beginning of this year it has received only two applications for grants compared with 23 in the first half of last year.

The department says it believes that most companies are deferring rather than cancelling them, and that with the present weakness of oil prices unlikely to last indefinitely, coal will again be recognised as a better long-term option. Lack of interest in the grants scheme is, however, likely to lead to Treasury calls for its abolition.

The coal industry is deeply concerned about prospects for new industrial and commercial sales. That sector was for long regarded as its only growth market.

The trend is illustrated by the latest monthly industrial fuel index of the Energy Information Centre, which shows that heavy fuel oil and gas oil prices are 84 per cent and 63 per cent respectively below their level of last Christmas.

It is also borne out by a more detailed study of industrial attitudes carried out over the last two months by Dr Jim Skea of Sussex University's Science Policy Research Unit. It found that, of eight companies planning to switch to coal, two still expressed an interest in doing so in the belief that oil prices would rise again in the long term.

One company had shelved its proposed conversion. The remainder still acknowledged the possibility of using coal in the longer term but for the present were seeking lower fuel costs in the light of cheaper oil. Most of those using gas had switched to oil.

Of 13 companies already using coal, only four had not reacted to the new energy prices. Four had negotiated price concessions from the National Coal Board, four had introduced some degree of oil, and one was seeking cheaper coal from abroad.

Nevertheless, the board is still winning new customers, some of which were using imported coal. This week, the Wiggins Teape group signed a £4m contract for 90,000 tonnes of British coal to be supplied over the next three years.

Broad money measure rises 1.3%

BY GEORGE GRAHAM

THE UK's money supply continued to grow rapidly in the banking month of June, the Bank of England confirmed yesterday.

Sterling M3, the broad measure of money, which forms one of the Government's monetary targets, rose by £1.71bn or 1.3 per cent during the month, taking its annual rate of growth to 18.3 per cent. Its target range for the 1986-87 fiscal year is 11 to 15 per cent annual growth.

M0, the other official monetary target, made up mainly of notes and coins, rose by £80m or 0.5 per cent to take its annual rate of growth to 3.1 per cent. Its target range is 2 to 6 per cent growth.

PSL2, a broader monetary aggregate that adds liquid assets such as building-society deposits and term shares to those included in sterling M3, increased over the month by £3.2bn or 1.3 per cent. Its annual growth rate was 14.1 per cent. The Government sets no target for PSL2, although it is among the indicators looked at by the Bank of England.

M2, another aggregate designed to measure cash and balances immediately available for transactions, rose by £2.11bn or 1.4 per cent to give an annual growth rate of 11.5 per cent. The series is not seasonally adjusted, since it has not been collected for long enough.

Big shareholders urged to raise board influence

BY NICK BUNKER

INSTITUTIONAL shareholders might have to step up their role in improving company management instead of leaving the job to corporate predators, according to Mr John Kay, director of the Institute for Fiscal Studies (IFS).

Companies such as Hanson Trust had shown that aggressive takeovers of insufficiently profitable companies had itself become one of the UK's most lucrative businesses, he told an IFS conference on merger policy in London.

But, he said, hostile bids could be "an extraordinarily expensive and cumbersome procedure" for revamping management of the target company. Justified scepticism was already emerging about the economic value of bids aimed at snapping up and then streamlining weaker companies.

"Both markets and public policy should become more critical of these types of acquisition," he said. Alternative ways of disciplining weak managements might have to be designed. Those could include more active institutional shareholder involvement with companies, institutionally sponsored bids, and more effective non-executive directors.

The Government's competition policy review should look at the possibility of new initiatives by the Bank of England, and changes to Takeover Panel rules and company law aimed at developing such mechanisms.

Sir Gordon Borrie, Director-General of Fair Trading, said that during the unprecedented wave of mergers in the first half of 1986, his office had found a more than 50 per cent increase in bids that might have qualified for referral to the Monopolies and Mergers Commission. The Office of Fair Trading studied 165 qualifying merger cases - an annualised rate of 300, compared with only 192 in 1985.

Difficulties for regulators surfaced when companies proposing a merger had to admit that it might limit competition in the domestic market - but argued that present UK merger policy stopped the creation of big companies able to compete globally with US or Japanese corporations.

"If desirable restructuring schemes were being deterred by national laws and procedures, then this would clearly be a matter for consideration in any review," he added.

Increase urged in night flights at London airports

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AN INCREASE in the severely restricted number of night flights at London's two main airports, especially at Gatwick but to a lesser extent at Heathrow, is recommended to the Government by the Civil Aviation Authority (CAA).

It emphasises that any increase in jet movements should be restricted to so-called "quieter" aircraft - those recently introduced that have demonstrated that they can meet UK Government night noise regulations. Such aircraft include Boeing 757s, 767s and 737-300s, and later models by the European Airbus consortium, but exclude many older Boeing 747s.

The CAA's recommendation is made in response to a call for advice from the Transport Secretary this year. The authority says the demand for peak-hour aircraft movements at Heathrow and Gatwick is becoming unmanageable.

If some additional night movements were permitted, it would ease the strain, before additional runway capacity could be provided later this century.

The authority recognises that its suggestion will be unpalatable to many environmental groups around Heathrow and Gatwick. But it says: "In the long run, the quality of life of all the citizens of this country depends on the continued well-being of the successful parts of the UK's economy, including aviation, and in the authority's view this points to the intensive use of major national economic assets such as Heathrow and Gatwick."

The authority points out that there has been a great improvement in recent years in the noise climate round Heathrow and Gatwick.

It believes the interests of the travelling public in cheap and convenient flights, as well as the Government's policy of encouraging airline competition and the national interest in promoting civil aviation, "all now point to an increase in the number of permitted movements by quiet aircraft during the night hours at Gatwick and, to a lesser extent, at Heathrow."

The authority rules out any increase in night flights by the older and noisier types of aircraft. It also suggests that quotas should be set only for a three-year period and then reviewed.

It argues that, unless the effective working day of the two airports is extended by making more use of night hours, the air transport industry, and thus the economy as a whole, will suffer.

It bases that view on the fact that, to make profits, charter aircraft in particular must make several flights a day. Although they make use of the non-peak hours, it is often essential to maximise aircraft use by having at least one departure during peak time.

If that cannot be achieved, the aircraft has to go to another airport, which disrupts the smooth flow of operations and transfers any noise nuisance elsewhere.

Although the authority believes the interests of airline users, the civil aviation industry and the national economic interest would all be served by an increase in the number of permitted night movements at Gatwick, the case at Heathrow "is considerably weaker."

One reason is that Heathrow is primarily a scheduled-service airport. "There is always less likelihood of substantial demand for night movements for scheduled passenger services.

"Further, a significant proportion of current night movements at Heathrow are by all-cargo aircraft." Nevertheless, the main arguments for using Gatwick to the full for the greatest economic benefits apply also to Heathrow.

At present, during the April-to-October period, total permitted night movements at Heathrow total 3,650, of which 400 are by older, noisier aircraft and 3,250 by "quieter" jets. From November to March, 3,150 movements are permitted, including 200 by older aircraft and 2,950 by quieter ones.

At Gatwick, permitted night flights from April to October total 4,300, including 300 by older types. In winter, from November to March, 1,950 movements are allowed. Night hours are regarded as 11.30pm to 6.30am on weekdays

● The British Airports Authority, which becomes a public limited company from August 1 in advance of privatisation in the first half of next year, earned a pre-tax profit (on current-cost accounting) of £76m in the year to March 31, a rise of 18.6 per cent over the previous year.

Sir Norman Payne, chairman of the authority, said yesterday the result was satisfactory bearing in mind the slower growth in air traffic of 4.8 per cent in 1985-86.

The authority's trading profit amounted to £86.8m after setting losses of £24.2m on aircraft handling activities (landing fees and passenger charges) against profits of £111m on commercial activities, including duty-free sales and concessions at the seven airports, including car hire and other services.

Of the authority's seven airports, five - Heathrow, Gatwick, Glasgow, Edinburgh and Aberdeen - earned profits. Two, Stansted in Essex and Prestwick in Scotland, incurred losses.

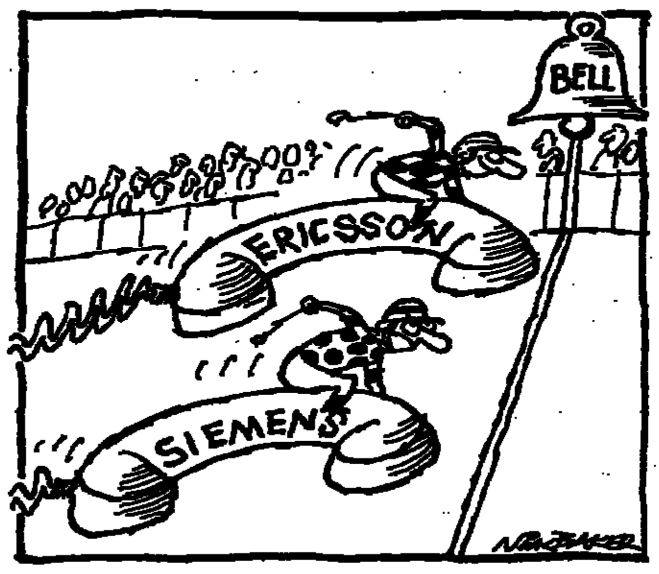
MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Telecommunications

Two giants contend for a bonanza

Jane Rippeteau explains how Ericsson and Siemens are attempting to supply Bell operating companies in the US



WHILE ITT of the US and Compagnie Generale d'Electricite of France have been in the spotlight recently with their plans for a strategic linking of resources, two European companies have been battling behind the scenes for a major prize in another corner of the world telecommunications market.

Siemens AG of West Germany and LM Ericsson of Sweden have achieved a measure of success where others, including ITT, have failed: in the $4bn or so US market for large telephone switches, the computerised machines that route telephone calls. The two companies are racing for the first order that the deregulated Bell telephone companies are expected to place with a European company.

The marketing opportunity has been created following the 1984 break-up of the American Telephone & Telegraph Co. AT&T and Canada's Northern Telecom are dominant equipment suppliers, with roughly half the market each, but the Bell operating companies, called BOCs, are seeking one or two alternative suppliers to ensure competition on price and performance.

It has been a long, hard, expensive haul for Siemens and Ericsson. Software-writing marathons have taken place, stretching over hundreds of man-hours. Sensitive equipment has been bumped over rural roads on a whistle-stop demonstration tour. Even the Almighty has been called upon —at one point, recalls a Siemens executive: "We just prayed to God it would work."

Siemens has already been invited to bid on the present round of orders listed by Chicago-based Ameritech, one of the seven Bell regional holding companies, each of which owns several Bell operating companies (Ameritech has five). And Ericsson's deals for field trials with two other Bell holding companies (a third is believed to be imminent) "are going to be a bonanza," says a securities analyst closely involved with a competitor of Ericsson.

He believes that Ericsson, which has come from behind, has now edged ahead of Siemens: "Ericsson is facing a major breakthrough," he says. US sales could be a coup for the Stockholm company, where 1985 pre-tax profits fell by 65 per cent.

Many observers and executives see US sales as the sole salvation for the overcrowded European field of telecommunications equipment suppliers. There, protected national monopolies fostered development of different systems for each market.

But today development costs are too high for those individual markets to sustain. The machines need some $1bn in development investment, and then $100m or so annually to update.

Alliances, such as the ITT-CGE link, are one way to cope with costs. Siemens itself is trying to hook up with GTE in the US. But exports—particularly to the US—are another.

The scene is not entirely rosy. Sean White, president of market research company Northern Business Information, says the US is entering a flat period before buying replacements around 1990. And ITT's failure to adapt its switch to US standards, on which it says it spent $155m, shows how tough that task can be.

But for most world competitors, including Plessey of the UK, NEC of Japan and even CIT Alcatel, the telecommunications unit of CGE, US sales are still a fixation.

Success for Siemens, supplier to West Germany's Bundespost telephone monopoly, and Ericsson, most recently remembered in the US for a failed office systems and personal computer operation, may once have seemed unlikely.

What set these contenders apart, observers say, is the conviction of their respective top executives that they had to make it in America. Says Edward Richardson, senior analyst at Dataquest UK: "The Germans' focus is clear: get Siemens into the outside world." And Bruce DeMayer, president of Ameritech Services, the central purchasing arm for Ameritech's five operating companies, recalls that "Siemens had a strong desire to have Ameritech as a customer. They really tried, and marketed very hard."

Volume is part of the reason for the drive. "Each one of the Bell operating companies is the size of British Telecom," says Peter Thomas, president of Ericsson Inc, the company's Texas-based US subsidiary. Another Ericsson executive says that demands of the BOCs for special features, including, eventually, simultaneous transmission of voice, data and video known as ISDN (integrated services digital network), keep suppliers on their toes.

Real life

Beyond that, Siemens and Ericsson followed rather different strategies. There are two steps to pass muster in the US. One is a product vetting by Bellcore, the research arm of the seven Bell regional holding companies. Bellcore reports on whether a product is what the maker says it is, and on how well it meets standards laid out in a seven-volume, three-foot-thick tome, the LSSGR.

A second step calls for real-life trials of the product. To carry this out, a vendor must be invited to do so by a BOC. Siemens has had four so far and Ericsson two.

But Siemens is only about half way through its Bellcore vetting; failure to do well would certainly jeopardise its Ameritech bidding, says DeMayer. Ericsson is expected soon to emerge from Bellcore with a very strong showing for its "AXE" switch and that could give the Swedes the upper hand.

Marketing has not been easy for Ericsson, though. One potential customer says he lost interest because of Ericsson's financial troubles and because, among Ericsson's Scandinavian executives, "I was never sure who was the head person."

Aware of this sort of problem, Ericsson in January replaced its top US management with Americans, including Thomas, and consolidated its four US operations into one company. "It was decided this had to be manned by Americans," says Bengt Kellgren, vice president for US operations at Ericsson in Stockholm. He says that half of the company's managers and 85 per cent of its R&D staff in telecommunications in Texas now are Americans.

Companies hoping for US sales underestimate possible cultural problems, including language difficulties, says John Harris, European president for management consultants Booz Allen and Hamilton.

Further, he says, adapting products to the US is primarily a software-writing job needing engineers who understand the US market. The BOCs, for instance, want features for their business customers such as remote pick-up, automated billing or routing of calls to a selected long-distance carrier built into the central switch, in a capability called Centrex. The BOCs need it so they can compete against private suppliers seeking to snare this lucrative business away from them. AT&T and Northern Telecom switches already have Centrex; the Europeans have to catch up.

"It's a problem of selling to and servicing the local market," says Harris. "They need American engineers."

Siemens seemed to know that from the start. When the company decided to adapt its switch, called the "EWS-D" for international sales, it set up shop in Boca Raton, Florida and hired 200 telecommunications engineers, importing another 10 from West Germany, says Volker Jung, general manager at Siemens' Public Switching Division. Since then, adds Jung, Siemens has added 250 engineers for product development.

Placing engineers in the field is another key part of Siemens' strategy. Some 100 were taken on for sales and marketing. "If you want to sell to the BOCs, you need experts, says Jung.

Persuasive

Fortunately for Siemens in the US, its Munich parent had the financial resources to support such strong staffing. (Ericsson has only 60 to 70 marketing staff by comparison.) Siemens, too, had the luxury of throwing cash into some costly but persuasive up-front marketing tactics.

In an extremely risky and expensive scheme concocted by Wisconsin Bell, one of the Ameritech operating companies, Siemens agreed to build a special version of its switch equipped with ISDN capability and then allow Wisconsin Bell to tow it around the state in a trailer so that it could demonstrate the capability to customers.

The idea was important to Wisconsin Bell, recalls Jung of Siemens, because "everybody in the world is talking about ISDN, but nobody knows what the customers really need." This would help Wisconsin Bell find out.

But it put Siemens into a panic. Fearing its electronic machine was too sensitive for back roads, "we were very hesitant to put a switch in a container and move it around in the country," says Jung. Moreover, he had only a custom-built laboratory version of an ISDN-equipped switch.

But Siemens agreed. It built the switch in Munich, installed it in a trailer in Wisconsin and, with one of its own people to "babysit" the machine 24 hours a day, handed it over on a lease deal to Wisconsin Bell. That was when the praying started.

In the end, as Ameritech's bid invitation reflects, Siemens had a major success. At one stop, at the Milwaukee School of Engineering, students in campus housing with telephones and personal computers used the demonstration equipment to tap library data bases through their own PCs over their existing telephone lines. The mobile project, says Jung, "was the turning point."

Ericsson has not yet participated in a demonstration of this scope. And its executives are remarkably reticent about their recent marketing achievements in the US.

Thomas, with past US experience at ITT and Northern Telecom, seems intent on imparting a higher profile for Ericsson. He has wined and dined executives at all the Bell regional companies. And his selling strategy also takes him to the lower ranks.

"In the early stages, you get to the engineering and planning decision-makers," he says. "But then you have to get into the local operating companies right down to the crafts people, who will install the machine, maintain it and run it."

With limited staff, he says he has targeted three of the Bell regional holding companies and will not court others until he wins with the first.

That worked with Southwestern Bell in St Louis. Says Don Mitchell, division manager for procurement: "We are very impressed with the product, but a factor is the proximity of Ericsson's headquarters to one of our major markets—Dallas."

DeMayer tells the cautionary tale of one European supplier courting Ameritech. He recalls: "They said to us, 'We don't understand why you need Centrex.' That doesn't sell switches in the US."

Engineers are encouraged to assimilate design

BRITISH companies in the world of engineering, construction and process plant building are being treated to a novel quiz on the thorny subject of design.

The Engineering Council, in cooperation with the Design Council, is issuing 16,000 directors and senior managers with a booklet aimed at stimulating ideas on improving design management.

Managing Design for Competitive Advantage includes sections on the importance of design for reliability, safety, manufacturing costs, performance and many other attributes of a product, not just its appearance.

These slightly hectoring "this is the way it should be" sections are followed by a series of questions seeking answers from managers on how their companies measure up to what they are told they should be doing.

Sir Francis Tombs, chairman of the Engineering Council, and Sir William Barlow, chairman of the Design Council, say in the forward to the booklet: "Our intention is to stimulate ideas, rather than to be prescriptive, and to encourage companies to review the management of their design processes by suggesting questions based on knowledge, judgment and common sense.

"Senior managements are invited to seek answers to these questions as a means of identifying areas where improvements in design can lead to increased profitability for their companies"

Questions asked in the booklet—the answers to which in many if not most companies will be "No"—include the following: is there a member of your board with responsibility for the design function?; are multi-disciplinary design teams used?; are you exploiting computer systems fully to ease information flow?; do your best designers have to move into management in order to improve their status and rewards? There are more nitty gritty questions such as : is there a direct computer-based link from the detailed design office to the machine tools?; is a computer-based databank of standard components and materials available?

Dr Kenneth Miller, the Engineering Council's director general, says design standards in British manufacturing are mixed. "There are some good companies producing good products but in other areas overseas competitors have outdone us and left us behind."

Will people listen now? "I jolly well hope so. They should and must. We believe the ones that don't will be in real trouble."

Nick Garnett

Business courses

Japan design study tour: visits to Sharp, Sony, Honda etc. September 26-October 4. Fee: £3,950 (includes air fare and accommodation). Details from Design Council Market- Services, 28 Haymarket, London SW1Y 4SU. Tel: 01-839 8000.

Defence contracts: cost estimating and pricing, London. September 10-11. Fee: £437. Details from Miss Karen Glaseby, Lion International, Premier House, Southampton Row, London WC1B 5AL. Tel: 01-833 2705. Telex: 24667 (IMPEMPG) Attn: Lion International.

Accounting for non-accountants, Worthing. August 28-29/October 6-7/December 1-2. Fee: £385 + VAT. Details from MSS Services 31A Chapel Road, Worthing, West Sussex BN11 1EG. Tel: 0903 34755/6.

CAD 86, London. September 2-5. Fee: four-day conference £402.50; one-and-a-half day registration £270.25. Details from conference secretary, CAD 86, Butterworth Scientific, PO Box 63, Westbury House, Bury Street, Guildford, Surrey GU2 5BH. Tel: 0483 31261. Telex: 859556 SCITEC G.

Effective project management, London (September 16-17); Birmingham (October 8-9). Fee: £437. Details from Miss J. K. Van Wycks, seminar division, Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 01-242 4111. Telex: 896827 TACS G/Ref 1202.

Inheritance tax: considered strategy in the light of the Finance Act 1986, London. September 16. Fee: ESC members £161.00; non-members £189.50. Details from European Study Conferences, Kirby House, 31 High Street East, Uppingham, Rutland, Leicestershire LE15 9PY. Tel.: 0572 822711. Telex: 341362 EURCON G. Fax: 0572 821287.

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Fewer liners call at the world-famous port nowadays, but it is still to the waterfront that the city looks for much of its prosperity

Pragmatic return to sea-based wealth

By Stuart Alexander

SOUTHAMPTON, on England's south coast, has been recognised as a major deep-sea natural harbour since Saxon times, and it is to the port that the city still looks as the basis for much of its prosperity.

Though fewer great ocean-going liners call, and in spite of the loss of cross-channel ferry traffic because of a period of poor labour relations, the port remains active. Some of its surplus waterfront acreage is also destined to play a crucial role in the creation of jobs over the next 10 years.

The port handled nearly 250,000 containers last year, imported 130,000 cars and exported 40,000 from its new terminal. It also exported 1m tonnes of grain from two new silo complexes, set up a new scrap-metal exporting terminal with the 600 Group, imported most of the Martini & Rossi vermouth consumed in the UK, developed a deep-sea roll-on-roll-off traffic to the Middle East, and continued to export cable from the nearby STC and Pirelli plants.

And, just to prove the good old days have not completely gone, Southampton this year will welcome 75 liners. These include the QE2, the Canberra and P&O's Sea Princess. Russian and Norwegian cruisers are also visitors. There has not been a strike since February 1985, and reliability and productivity have improved.

Associated British Ports, which operates the dock and was privatised in early 1984, is confident it can maintain the resurgence. It has attracted new timber imports from Russia and is looking at three to four new trades for the port over the next months.

Southampton, with a population of just over 200,000, could never be described as metropolitan and has not suffered as badly as some of the big cities in the UK with the problems of decay and community conflict. Nor has it been as vulnerable to job losses as those cities dependent on a few traditional industries.

At nearby Eastleigh British Rail Engineering's decision to shut its repair yard has been modified following representations from Eastleigh and Southampton councils. These showed that BREL could save money by continuing to repair rolling stock, so job losses were cut to 500.

Over the road the Ford factory which produces the Transit van range has seen an investment of more than £100m in robot automation, while the military aircraft division of British Aerospace continues successfully at Hamble. Esso also has one of its main UK installations at Fawley and there are hopes that the CEGB will choose a site alongside for one of its new 900 MW, coal-fired power stations.

The pleasure boat-building and repair industry also provides significant numbers of jobs. Cougar Marine, at Hamble, has built both of Britain's 12-metre challengers for the America's Cup (being held in Australia) and the first Virgin Atlantic Challenger, and is now building superfast day boats for the rich at £250,000 apiece at the rate of two a month. On the River Itchen Vosper Thornycroft, bought out by its management eight months ago, is fighting hard, however, to get by in the harsh world of warship building.

Working relationships have improved, practices have been reformed and productivity is up, following a reduction of the group workforce from 5,700 to 2,700. Two-thirds are in Southampton and their future relies on home and foreign government orders for warships.

Vospers claims to lead the field in warship design, especially its third-generation, glass-reinforced plastic minehunters. But its fortunes now often depend more on financial packages than price or building expertise.

While the waterside still in some ways provides the hub of activity, there is plenty of action shoreside as well. Southampton is the commercial centre of the south coast and contains regional offices of most of the major banks plus seven of the big nine firms of accountants—there is a strong financial services sector and Skandia, the life assurance company, has its UK head office there.

Southampton is benefiting too from the activity on the "M27 corridor," whirh runs from Portsmouth over the top of Southampton to the New Forest and Bournemouth. There are 28 business parks planned or developed for the 22-mile stretch of motorway that forms the eastern section of that corridor. Plans are afoot to complete the M3/M27 link by 1991.

There is a fast train service to London's Waterloo. and Southampton Airport offers a service (if somewhat patchy) to the Midlands, the north and the Channel Islands. It also offers factory and warehouse space.

Although Associated British Ports is keeping a firm grip on its deepwater dockside land, it has been persuaded since privatisation to release land for commercial redevelopment close to the business and shopping centre. One ferry terminal will become Ocean Village—a mixed development of shops, offices, restaurants, homes and a marina. The P & O terminal will be turned into a maritime museum.

The P & O building is scheduled to be the administration point and the sponsor's hospitality suite—if one is found—for the Formula 40 regatta of trimarans to be held in mid-August. This forms part of an eight-regatta, Franco-English series.

The Town Quay development will also boast a marine and the Dock Gate 20 scheme will feature warehousing and manufacturing. The Freeport had a slow start but is now being modified to take in warehousing as well as manufacturing.

On the west side of Southampton Water, Hythe Marina Village is the Port Grimaud of the south of England — with property values to match.

Away from the water, the university is to develop the 20 acres of Chilworth Manor into a research park, as part of the drive by science and technology universities to create opportunities for research and manufacturing jobs. The scheme has been helped by £750,000 from the city council.

The council has also been pushing ahead the Marlands shopping scheme in the city centre, the Western Esplanade scheme, and a new shopping site at the edge of the Esplanade. A major toy retailer is expected to open its doors at the site before Christmas.

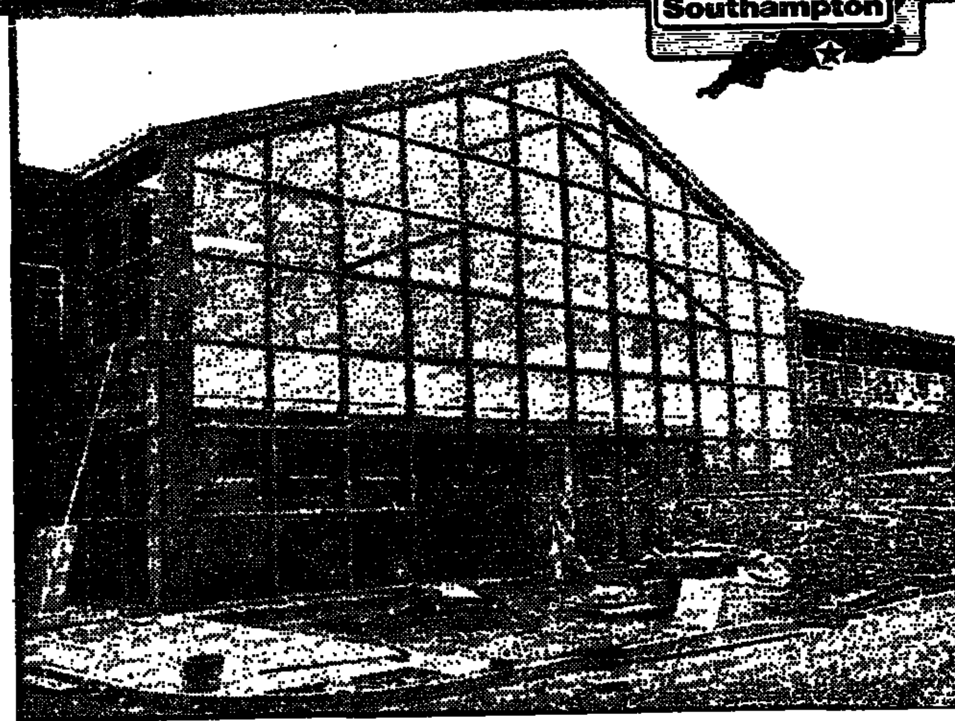
There is praise from the business community for a Labour administration. The ever-pragmatic leader, Mr Alan Whitehead, says bluntly: "I believe in redistributing wealth but I also recognise that the wealth has to be created in the first place."

He does not wish Southampton to make a blinkered return to dependence on the port, but he does believe in going back to the sea—hence the push for tourism and the purchase of the old Gaumont bingo hall and its conversion to the Mayflower Theatre. A conference centre, recommended in a study by consultants PEIDA, and a 200-bedroom hotel are aslo planned to build on the city's one major successful exhibition, the Boat Show.

The Southampton Economic Development Council is run by the city with industry's help and has linked successfully with the Southampton Enterprise Agency, which has the backing of another major local employer, BAT Industries.

Mr Whitehead's vision of the commercial future for Southampton is still based on the "small is beautiful" principle and he would like to see lots of small new companies encouraged. But for Southampton itself he is ambitious for ever-widening boundaries.

"We do not want to see Southampton remain a district authority. We need to redraw the boundaries to administer it properly. We want metropolitan authority powers," he says.



The docks (above) still play a crucial economic role, while surplus land is being redeveloped, such as the Ocean Village scheme (below) *Alan Harper*

SOUTHAMPTON 2

Industry

Late blow from recession

THE DECLINE in traditional manufacturing came to Southampton late, but it has been stark nevertheless, with unemployment as high as 25 per cent in parts of the inner city.

"In the depths of the recession, companies first withdrew from areas such as the North East. As the recession persisted, even towns such as Southampton started to suffer," says Dr Colin Mason, of Southampton University's Urban Policy Research Unit.

Manufacturing decline has been concentrated particularly in the inner city, which lost more than 40 per cent of its industrial jobs between 1979 and 1985, compared with 30 per cent in the rest of the city and 15 per cent in the rich hinterland economically linked with the city by journey-to-work flows.

Vehicles, electrical engineering and shipbuilding and marine engineering, food, drink and tobacco, and mechanical engineering are the five dominant manufacturing employers. Employment in all but electrical engineering has contracted by at least a third in the last six years, with the rate of job loss highest in shipbuilding.

According to Dr Mason: "The Southampton region is not only dominated by a relatively narrow range of industries but by a small number of large employers. The majority of manufacturing jobs are provided by just a handful of establishments, each with over 1,000 employees. It is these large companies that have accounted for the bulk of job losses."

However, two industries — instrument engineering, and rubber and plastics — have actually increased in employment since 1979; while high technology manufacturing industries have not experienced the substantial erosion of jobs characteristic of the more traditional industries.

Despite the decline, the city remains prosperous, largely because of the buoyancy of its service sector. The rate of growth up to 1981 was double the national average, and there is every indication of an acceleration, with the area's improved communications and increasing costs in London.

From the experience of the past six years have emerged three main strands to the future of employment in Southampton. It is promoting indigenous industry, rather than relying excusively on companies controlled from outside the region. Second, there is thought to be great potential for developing the area's expertise in high technology; while the service sector is expected to continue its growth.

● Services: The proportion of people who work in retailing is likely to increase. Schemes planned for either end of the city centre, for instance, will boost retailing floorspace by 25 per cent and create more than 1,200 jobs.

Southampton is also emerging as a key location for financial and business services serving a large area, says Mr Hugh Barrett, deputy director of the Hampshire Development Association, the region's promotional agency based in Winchester. "A number of chartered accountants firms, for example, have included Basingstoke as part of their Southampton, rather than London, operation."

The growth in financial and banking services might have been more marked had Southampton succeeded in attracting head offices relocating from London," says Colin Mason. "They have tended to go as far as Basingstoke and stop."

The city has failed to attract large headquarters, chiefly because it has lacked any suitable sites or buildings. Some of the commercial developments planned may rectify that situation.

"In the last three years we have taken the whole issue more seriously," says Steve Dobson, of Southampton's Economic Development Office. "But headquarters tend to bring their own staff with them, so it wouldn't necessarily have any significant impact on unemployment. We wouldn't turn them away, and they might have a spin off for the local economy."

● High technology: Business and science parks are planned or being developed in the city or its outskirts, while Hampshire County Council has identified sites between Southampton and Portsmouth as offering potential in particular for high technology industry.

South Hampshire, termed by some "the new Sunbelt," has already seen a noticeable growth in the number of suppliers of components to companies such as IBM at Portsmouth. Some of these subcontractors date back to the 1930s when Southampton was a centre of aircraft manufacture. They have had to improve their technical abilities, but have kept themselves going on the strength of craft skills. "This sub-contract work is now a very fertile area for small firms involved in advanced technology," says Hugh Barrett. For every person directly employed by IBM, another job is created along the way, he says.

● Indigenous industry: High technology companies are also well represented among the start-ups seeking advice from the Southampton Enterprise Agency. Since its inception in 1981, SEA has helped to found more than 560 firms, creating more than 2,000 jobs.

The agency is also the co-founder of a venture capital fund which provides backing, from £15,000 to £50,000, for locally-based enterprises unable to obtain enough funding for expansion from traditional sources. The fund, worth £3m with an annual yield of £0.75m, will be administered by Southampton Economic Development Corporation, and is designed to help small-to-medium sized firms with good growth prospects, particularly those involved in high technology.

"But we will be looking for a return over 10 years, rather than the three years normally expected by venture capital funds," says Mike Brook, Southampton's Economic Development Officer, who also heads the council's Economic Development Unit.

SEDCO was set up by the city council to promote economic development. It has powers to hold and develop property and provide assistance to industry in and around Southampton.

To date, the council has provided all SEDCO's funding. But it aims to attract more private-sector finance for new projects. "Three-to-four pounds of private sector investment, to one of the council's, is not an unreasonable balance to hope for," says Mike Brook.

Employment prospects in manufacutring are more stable than they were in the early 1980s, though Hugh Barrett predicts a continued fall, mostly by "natural wastage," as companies adopt more advanced manufacturing techniques. At present, manufacturing accounts for just over 20 per cent of all jobs in Southampton.

Pirelli General, with a total workforce of 2,754, spread over four operating divisons, is one of the largest manufacturing employers in the city region. Its plastic cables operation, one of three business units in Southampton, is to close in mid-1987 with the loss of 265 jobs. Outdated production equipment is to be replaced by a new highly-automated factory at Aberdare, in Wales, where the company benefited from a package of regional incentives.

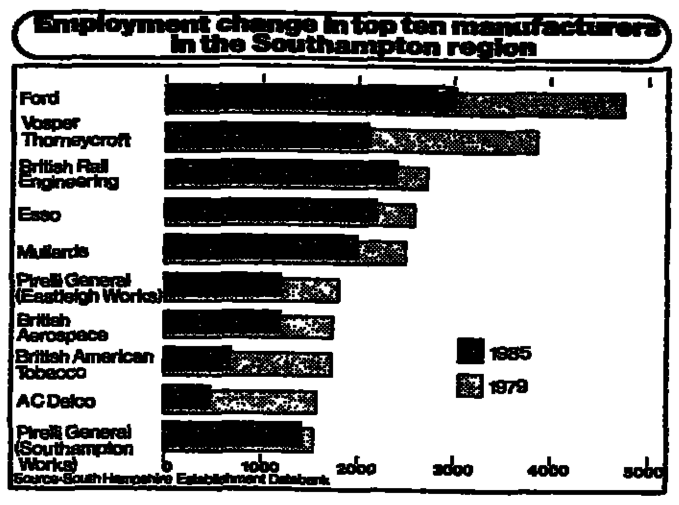
But the company emphasises that efforts are being made to offset jobs lost by offering early retirement to employees elsewhere in the company. It also points to the £30m invested in its Hampshire plants, including £15m in a new submarine power cables factory for Southampton, and £15m in a new special cables factory and optical fibre manufacturing unit near Eastleigh. These investments resulted in a small increase in Pirelli's Hampshire workforce.

Though Ford's workforce has shrunk from 4,500 to just over 3,000 since 1980, it remains the area's largest employer. It recently invested £100m in an advanced production line for the Transit. The new plant, with 125 robots, will produce the same number of vans as before, 300 a day, and employ the same number of people, but the Transit will now be built to a higher specification to take it through to the 1990s.

Prospects at Vosper Thorneycroft also look brighter than at any time since 1980, when it employed some 5,800. Last November, the yard, formerly part of British Shipbuilders, was the subject of a management buy-out. With a much smaller workforce of 2,800, Vospers is currently building 11 mine counter-measures vessels and three strike craft for a foreign buyer, a programme that should take the yard into mid-1989.

The HDA, meantime, is trying to "get a share of the action that would otherwise go to the prosperous areas of Europe such as Paris and Cologne." Hugh Barrett is aware of four large companies evaluating sites within five miles of Southampton's city boundaries, involved in everything from distribution to high technology.

Alastair Guild



Freeport

Speedy take-off for experiment in freedom

THE Southampton Free Trade Zone (FTZ) is one of six created in the UK through the 1984 Finance Act. Although it got off to a rocky start, with dockers insisting at first that they should be involved, its management now says business is developing faster than expected.

The FTZ occupies 31 acres of the port's Western Docks and includes nearly 500,000 sq ft of refurbished warehouses as well as parking, storage areas, and offices. The area is enclosed by security fencing. It allows goods to be imported and processed, stored and re-exported without payment of customs duties or value-added tax.

Most cargoes come into the FTZ through the port, though some enter by cross-Channel ferry via other terminals or by air. An average of £1m of goods a week is handled, says Mr Andrew Kent, the general manager. Among the main products are natural rubber, tea, electronics, and machine tools.

More warehousing is being developed and the FTZ has plans to develop manufacturing and assembly operations for customers. The main shareholder in the FTZ is Associated British Ports (owner of the port), with 51 per cent. Its partners are the Trafalgar House group, which also owns Cunard, Kleinwort Benson, the merchant bank, and Ocean Cory, part of Ocean Transport.

Talks have been taking place with companies from the US and Far East about establishing facilities for central assembly or testing of products destined for European markets, all with different regulations on content or packaging.

"Southampton's location means it is absolutely ideal, not just for UK, but for European distribution," Mr Kent says.

Southampton is the only freeport east of Cardiff and south of Birmingham, thus giving it a catchment area which includes the relatively prosperous areas of the south-east and to the west of London, where a number of high technology-oriented industries are based. Thus the next phase of the FTZ's development will have a large area to meet the needs of high-tech users.

But the freeport's management reckons the main advantage is its closeness to Continental Europe. The FTZ has more general warehousing than the European Zones of Rotterdam, Antwerp and Le Havre. In the UK it is five minutes from the motorway network and within reasonable distance of Gatwick and Heathrow airports.

Still relatively new in the UK, freeports have yet to prove themselves fully. The existence of the Southampton FTZ is an example of how ABP is determined to be more than just an operator of cargo- and passenger-handling facilities for shipping lines.

Andrew Fisher

Tourism and Leisure

Spreading the net for GI brides

SOUTHAMPTON IS working hard to become a tourist centre. In the US it is seeking GI brides and a major hotel developer, while at home it has joined forces with 11 other centres to promote "Great English City" holidays.

Promotion of the 40th anniversary of the wartime D-Day landings generated more than 3,000 nights' business for Southampton hotels and attracted 200 war brides from Canada. The city has now spread its net across the US in a drive to bring as many GI brides and their husbands back across for three days at the end of September. This could be a base for further tours throughout Britain and Europe.

But the more important search is for someone to develop a 200-plus bedroom hotel. There is a considerable amount of accommodation already available, but no single hotel has more than 120 beds and the city is lagging behind nearly all its provincial city rivals in that respect. It is also one of the important factors in the plan to develop a conference centre in the city.

An American or another large foreign chain, is being sought so the city can tap the promotional efforts they made to attract people to their hotels. Southampton wants to be seen and talked about in places like Dallas.

And the city wants to cash in on some of its natural assets, not least the waterfront. Shamrock Quay led the way and major developments are taking place on the site of the old ferry terminal. Canute's pavilion will open this month as the first part of Ocean Village. Further along the waterfront is the Town Quay site and marina and plans were announced recently for the development over 10 years of Southampton's Saxon heritage.

As a base for tourists, it also offers easy access to Nelson's Victory and the Mary Rose at Portsmouth, the New Forest on its western side and Salisbury to the north. The city is also exploiting, the BBC's Howard's Way soap opera, based on the yachting on the Hamble River. It had been planned to bring two coachloads a weekend to see where the scenes were set, but poor weather in the early part of the season kept numbers down—to the general relief of the locals. But the ferryman, Mr Ray Sedgwick, appreciates the increase in trade.

More generally, Southampton has joined 12 other cities putting £10,000 each along with an equal amount from the English Tourist Board to mount a £250,000 campaign. This will be selling short-break holidays to the British, but will include some overseas promotion in the next couple of years.

With that amount of spend it should be possible to compete for the precious shelf space in travel agencies, whereas going it alone with £10,000 or £20,000 would have seen Southampton squeezed out. The council's tourism office has set a target of 500 extra visitors in the first year.

Southampton is rich in historic assets, including the remains of the Saxon town, ancient city walls and numerous 12th- and 13th-century buildings. What has been needed is a focal point and some coordination. Attractions are widely dispersed and communication links can be difficult, though this will in any case change with the development of Ocean Village and Town Quay.

The council called in consultants to conduct a £40,000 feasibility study on the costs and benefits of giving the town a facelift. Heritage Projects of York, responsible for the successful Jorvik Viking Centre, were instructed to develop proposals for new attractions. The Alex Gordon Partnership, architects specialising in the restoration of historic buildings, looked at what could be done to existing attractions. Management consultants Peat Marwick's leisure and tourism group assessed the financial implications.

The consultants' report sets out an ambitious scheme which could have a dramatic impact on the city's image and its capacity to generate tourist revenue.

The cornerstone of the project is the proposal to establish a Timebase Centre, in which visitors would be able to walk through 2,000 years of history from Roman times to the present day. The centre would be linked to Timebase Outstations in parts of the old town, and to a reconstructed Saxon village on a 10-acre site along the River Itchen.

The consultants estimate that Timebase Southampton would attract 770,000 visitors a year and bring in 400,000 new visitors to the city. The scheme would create the equivalent of 270 full time jobs, and economic benefits would be in the order of £2.7m. But question marks hang over the financing of the project.

The most modest option available to the council is to abandon the Timebase concept and confine improvements to the renovation of existing buildings. At a cost of £800,000, funding could be met by the public purse, but the benefits in revenue would be slight.

Estimated return on capital suggests that the Timebase Centre could be supported by private investment, but that the Saxon village would probably need an element of public capital to improve the prospective return and attract private investment.

The real problem, however, lies with the plans for an elevated transport system to link the main British Rail station with the Timebase Centre and the outstations, which would be an integral part of the project and a tourist attraction in its own right.

One system proposed would cost £6.9m bringing total costs for the project to £11m. The other being considered would cost £22m—two-thirds of the total costs of this option.

Proponents of the scheme may have to wait for a change in Government policy—or of Government—before Timebase becomes reality.

Stuart Alexander

Shamrock Quay marina, catering for the flourishing sailing industry

The Port

Slow progress in a harsher world

SOUTHAMPTON remains one of Britain's leading ports, but the 1980s have been a trying time for both its managers and the shipping companies which use its facilities.

In the more harshly competitive environment of world shipping, Southampton has been forced to slim down, cut costs, and lower charges. Business is increasing but progress has not been easy.

Containers provide the bulk of the port's business, and it is in this sector that the most strenuous efforts to keep up with the competition in both the UK and the rest of Europe have been necessary.

Cruise passengers remain important for Southampton, which used to cater for many of the big liners before the days of mass air travel. But containers and other types of freight are the main source of revenue.

Vessels using the port include the QE2, part of the Cunard fleet and shortly to be re-engined and modernised at a cost of some £80m. So do the Canberra and Sea Princess from P & O Cruises. The QE2, which sails regularly across the Atlantic, last year called into Southampton about 20 times.

Apart from cruise passengers and containers, the port handles grain, wine, cars, and scrap metal. Outside the main port area, down the Southampton estuary, is the big Esso terminal, handling more than 20m tonnes of crude oil and refined products each year.

Parts of the port no longer needed for cargo-handling are being developed for leisure and business use. Its parent, Associated British Ports (ABP), is steadily building up the property side of its activities here and at other ports.

This year Southampton expects to handle nearly 300,000 TEU (20-ft equivalent units, the basic container measurement). Its maximum capacity is about 350,000 TEU. Its main rival is Felixstowe in Suffolk, which has been rapidly expanding and now handles more containers than Southampton.

The intense rivalry between European ports, with Rotterdam the most favoured by shipowners, reflects the struggles of many shipping operators to survive. Freight rates have come under extreme pressure as more and bigger ships have been built to compete on the world's main container routes.

Shipping companies have in turn sought cheaper terms from the ports which handle their cargoes. For Southampton, this has meant some traumatic times in recent years. In 1981, it was beset by labour disputes and the following year spent trying to make up lost ground.

But the real trial came towards the end of 1984, when ABP and its managers at Southampton sought to push through a bold package of manning cuts, greater job flexibility, and measures to boost efficiency on the container side.

The resulting dispute with dockers lasted into the early weeks of 1985, and fears were even raised that the container berths might not be reopened. For a few months, quays were unused and cranes idle and ships called elsewhere in the UK or on the Continent.

The port's container customers wanted it to cut costs to levels of terminals such as Felixstowe and Rotterdam. Dockers at Southampton had also upset shipowners by joining the UK dock strikes of 1984. Those at Felixstowe continued working and Tilbury (the Essex container terminal which is part of the Port of London) kept some operations going.

The management succeeded with its plans in the end, though. With many dockers taking voluntary redundancy, the port cut a swathe through its labour costs. Now, it employs about 1,400 people compared with 3,300 before the stoppage, saving well over £10m a year.

Southampton's container charges have been cut by almost 20 per cent and its turnround time for vessels speeded up considerably.

The most important shipping lines which left during the dispute have now come back. Although this was not a strike, the effect was virtually the same, because the workforce had refused to work more than one basic day shift. This prevented normal 24-hour port operations.

The main users of Southampton's Prince Charles Container Port, with its three berths and five cranes, are the Trio consortium, sailing between Europe and the Far East, and SAECS (Southern Africa Europe Container Service). Once convinced that the cost and efficiency improvements were likely to stick, they decided the port's natural advantages — its convenient south coast location, its 42 ft of deep water next to the berths, and its "double tide" with 17 hours of rising and high water every 24 hours—were too strong to be overlooked.

The Trio members, comprising Overseas Containers Ltd (OCL) of the UK, Ben Line (also British), Hapag-Lloyd of West Germany, and NYK Line and Mitsui OSK Line (both Japanese), had switched to European ports during the stoppage. SAECS, also including OCL and other lines, had moved to Liverpool.

Since the return of Trio and SAECS, other lines have begun to use the container facilities. Hapag-Lloyd has run a weekly US service from the port for about three years, with newcomers now operating on routes to Canada (Holland-Canada Line), the Middle and Far East (Norasia), Venezuela (Cia Venezolana de Navigacion), and Indonesia (Ben Line).

Southampton is confident that 1986 will be a good year after the ups and downs of the early 1980s. Its non-container operations were not hit by the dispute. The grain, passenger, car and other parts of the port continued normally.

One effect of the container dispute was the halting of development of the Mayflower terminal, a joint venture with the C. H. Tung Group of Hong Kong, itself now in financial trouble. This area is now used for car imports, a part of Southampton's business which is growing fast.

This means that the port's vehicle-handling capacity is being doubled to almost 400,000 units a year, the latest models to enter Southampton being Fiats from Italy. The port also exports Jaguars and Range Rovers and imports Renaults and Spanish-built Ford Fiestas.

Another major trade is grain, which has grown by a third since 1983 to 900,000 tonnes a year. Last year's poor UK harvest prevented the port — in competition with London, Hull, and Cardiff — from reaching 1m tonnes. Both Rank Hovis and Continental Grain have silos at the port.

Since the port's parent, ABP, moved out of state ownership in 1983, it has been keen to develop in non-traditional areas. Thus Southampton has a freeport and a major £50m property development, a second venture planned.

All of these projects use land no longer needed for shipping. About 50 acres are being redeveloped to provide a marina, office and residential accommodation, and shopping facilities. Called Ocean Village, it is one of the largest urban renewal projects in Britain. Rosehaugh, the property company, is ABP's partner.

A second and similar development at Town Quay, another part of the port, is planned with local developers. With its mixture of container, passenger, other cargo, and non-shipping activities, Southampton has moved a long way from its traditional past and its recent difficulties. Even so, with international shipping in its present fraught state, the port will have to stay alert in the next few years. Still to be considered is the possible effect of the Channel Tunnel.

Andrew Fisher

The University

Reputation backed by commercial drive

A HIGH proportion of renewals of contracts underlines the success of the university's research standing, Dr Gordon Higginson, Vice-Chancellor of Southampton University told his Policy and Finance Unit last month.

Reporting a record income from grants and contracts and a better than envisaged end-of-year financial position than had been predicted, he added: "While it would be invidious to dwell on individuals, one cannot help noting figures like the £850,000 which Professor Kembadjian's unit has attracted and the £700,000 which the interfaculty efforts of Dr Hey of Physics and Dr Jessope of electronics have secured from the Esprit programme."

Southampton University may sit rather separately on a campus among some of the more expensive housing on the east side of the city but it shares the strongly commercial attitude that pervades the town.

The new vice-chancellor has enthusiastically embraced Industry Year since he took over at Southampton last October. The university also has, in Prof John Large, a driving force behind the establishment of the new research park at Chilworth.

An extra £15m of revenue is being pulled in to top up the £26m from the University Grants Committee and make up for the 2 per cent cut last year. It reinforces the reputation of the university as a centre of excellence in technical research, and enables those research programmes to be undertaken to the benefit of both the staff and students.

Such is the importance of the developing commercial activities at the university that Prof Large is giving up his post as Dean of the Engineering faculty to become director of industrial affairs. He will co-ordinate and develop liaison with industry, rather than relying solely on contacts and contracts made by individuals.

The list includes work by the Wolfson unit in marine technology and aerodynamics, and a joint project funded with 5m Ecus by the EEC to develop with Inmos and the French a super-computer using the Inmos chip. Marketing is also set to become altogether more structured.

The university is trying to develop as a conference centre, though it is available only in the vacations. But the attraction of the World Archaeological Congress at the beginning of September proved a mixed success when a ban on the South archaeologists led to the booking for the Union of Radio Sciences Conference in 1990 being cancelled.

WHEN THE Duke of Kent opened the first phase of Chilworth Research Centre last month he confirmed Southampton's bid to join other major universities in developing the inter-active science park environment which can benefit the academic and commercial communities.

The centre is set in Chilworth Manor and grounds north of Southampton on the A27. Professor John Large, its chairman, believes the centre has a vital role in increasing the university's contribution to industrial development and has persuaded Southampton City Council to stump up £750,000 in support.

"It is capable of bringing many hundreds of highly skilled researchers here, with obvious benefit to the local economy," he says.

"We already have 11 small companies operating in the manor, and high hopes that as they consolidate and expand they will move out into new buildings on the research park, leaving space for other embryo companies."

Test Valley Borough Council had been reluctant to see any large-scale development of the manor and grounds, a former students' home, but has agreed to three buildings on about half the 20-acre site.

Phase two, however, premises to be more than twice as big at 104,000 sq ft. It is going to take time for Southampton to emulate the size of university science parks such as at Cambridge, but there are high hopes that the standard of success will be equally as high.

Southampton University is one of those provincial redbricks that benefited most from the great explosion in university places which followed the Robbins Committee recommendations on higher education in 1964. What had been opened 100 years earlier by William Hartley as an answer to the growth of technical colleges in the north, and had then become an outpost of London University, trebled in size and in its own right in the late 1960s and early 1970s. The medical school was the last to be established, in 1971.

The heavy bias towards science, medicine and engineering continues and that can mean casualties. The departments of theology and classics are closing—"there is no money in poring over Anglo-Saxon tracts and classics is a bit of a dinner-table luxury," was one rather philistinic comment. But when government policy dictates that grants will go to support centres of excellence, then some selection of priorities is inevitable.

This year the UGC has decided that Southampton, along with Bangor in North Wales, shall be the main centre for the study of oceanography in the UK and a new building is on the way. The university believes its aerospace engineering course is unique among British universities though it has had to turn to industry for 50 per cent of the funding. Companies such as Lucas and Westland have been happy to provide support.

The new micro-processing facility is the only one at an English university which can make its own chips. Supplying higher educational institutions in England and Wales has made Southampton some £5m in revenue over three years.

Computer studies have been moved out of the maths department into the Department of Electronics, Computer Science and Information Engineering, which also incorporates the optical fibres faculty.

Not that all is number-crunching. Both the arts and social sciences departments have more than 1,000 students, with law and educational studies contributing a further 500, to account for just over 40 per cent of the 6,600 students at the university.

But of the 300 places by which the university is destined to grow by 1990 some 250 will be in science and engineering. Some of the new places in 1987, however, will be in accountancy.

Although only one in 25 students comes to the university to study accountancy, one in six of its graduates are hired by firms of accountants, perhaps highlighting the growth in the consultancy side of the profession.

Stuart Alexander

John Large (left) who will co-ordinate development of Chilworth (below), set up by Southampton University under vice-chancellor Gordon Higginson (right).

Property

Breaking out of the doldrums

COMMERCIAL property development is not just taking off again in Southampton, it is at the heart of all the plans for economic and employment revival. After 10 years in the doldrums, office rents are moving up, accommodation is being let and there is the prospect of a more sensible return for investors.

The waterfront has become a centre of activity. Associated British Ports took the brakes off its policy of releasing land for commercial development when it was practised. Shamrock Quay, Ocean Village, Town Quay and the Freeport now offer office and trading space to small businesses, homes for executives, and berths for yachts.

After years of negotiations, the central Marlands development and the Western Esplanade, a stone's throw from the civic centre, will go ahead. The main store, Toys r Us, wants to be up and ready for the Christmas trading season at its new Esplanade home.

"Southampton's attraction has been aided by a good quality white-collar workforce which has developed over the past decade, and South Hampshire in general is beginning to experience a shortage of quality office accommodation," says Mr Godfrey Winterson of estate agents Fox & Sons.

"This is compounded by a lack of funds for speculative office development, despite numerous schemes being proposed. The result is an upward pressure on rents for prime accommodation, currently at £7 to £7.50 a square foot with £8 to £8.50 projected."

Mr John Vail, of agents L. S. Vail, says: "We have some strong native companies, some good sites for development and, most importantly, the mood has changed to being much more positive now that Southampton is getting out its corset of thinking of itself as docks dominated.

After performing rather poorly, rents rose by 20.5 per cent in the 12 months to September 1985

"While the strength and investment opportunities available in the bull market stocks of recent years have made property look less attractive to the institution, things are definitely on the move. There may be another year of hiatus before new developments appear but rents are rising and, at the same time, tenants will be wanting to see new technology built into offices to keep up with modern standards and modern communications."

One man who saw the opportunities early was Mr John Dean, of developers Dean & Dyball. While the southern half of Britain was witnessing industrial and commercial growth which has meant it has taken over from the industrial north as the powerhouse of economic generation, he saw Southampton being left behind.

The first wave of relocating companies was mopped up by development agencies and enterprise zones offering grants and rates holidays. The next tranche went to the Thames Valley and further south as companies looked for the environment they wanted, rather than taking cost as the sole factor in choosing a new home.

"Southampton had seen some peripheral development but the future of the city lies between the main shopping street, Bargate, and the port to the south," says Mr Dean.

After performing rather poorly, rents, according to agents Jones Lang Wooton, rose by 20.5 per cent in the 12 months to September 1985. But it took developers like Rosehaugh, Arlington and ourselves to jump in with both feet.

"Five years ago Shamrock Quay, which we developed, was nearly dormant; now there are 600 people working there in a variety of small businesses. The marina is fully subscribed and we will expand as soon as we can provide more parking space.

More houses are needed for incoming executives. Many purchasers are looking for property in the countryside or small villages

"The associated repair yard, Southampton Yacht Services, is attracting back the sort of refit work for which British yards were famous."

That yard was previously operated by Camper & Nicholson, and the work being done on Shamrock Quay on a trio of different yachts, brings back the feel of the old days. There is a traditional 110-foot William Fife, a large Italian motor-sailer, and a warship derivative, built as a luxury cruiser powered by three Rolls-Royce Proteus engines.

Dean & Dyball is also responsible for the development of Hythe Marina Village on the western side of Southampton Water, where executives can sail their yachts through the lock gate and moor alongside their homes. Houses have nearly doubled in value in the first year in spite of all the construction work going on. Doubts about the scheme being completed have been dispelled.

The company has also developed 3½ acres at the rear of South Western House, now the home of BBC South and Cunard, and alongside the old spur and railway station that took the liner passengers into the docks.

Demand is continuing to rise for shopping in an area that has seen little major development, according to Fox & Sons. Work on the Marland Centre is due to start next spring and is already under way on a 155,000 sq ft scheme at East Bargate. The Portswood Centre, a new district shopping centre, will comprise 11 shop units with parking for more than 100 cars.

More housing is needed for incoming top executives. Some marina homes may fulfil part of this need but many purchasers moving into the area are looking for a property in the countryside or in small villages.

They will find good value if they are prepared to travel from, say, the New Forest where it is possible to buy pleasant houses for £150,000. Nearer the city there is a premium for individual properties. For instance A&B Homes is building five-bedroom, three bathroom houses for £225,000.

Completion of the M3 link to London should give a major boost to the economy and to property prices.

Stuart Alexander

FT COMMERCIAL LAW REPORTS

Interest payable on subsidence compensation

KNIBB v NATIONAL COAL BOARD

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Nourse and Lord Justice Glidewell): July 11 1986

WHERE A houseowner claims compensation against the National Coal Board for subsidence caused by mining, the Lands Tribunal has power to include interest in the award, dating from when the right to compensation arose.

The Court of Appeal so held, Lord Justice Nourse dissenting, when dismissing an appeal by the National Coal Board (NCB) from a decision of the Lands Tribunal (Mr J. H. Emlyn Jones) that it was entitled to include interest in compensation for subsidence payable to Mr and Mrs Knibb of Nuthall. An appeal by Mr and Mrs Knibb, with regard to the date from which interest was to run, was allowed.

* * *

SIR JOHN DONALDSON, Master of the Rolls, said that in 1966 Mr and Mrs Knibb began building a bungalow. Some time between then and 1972 the bungalow, which had not yet been completed, suffered subsidence as a result of mining of the Tipton seam.

In 1972 that claim was settled for £2,900, which was duly paid by the NCB. Not all the defects were remedied and the bungalow had still not been completed when, between July 1974 and December 1975, it was further affected by subsidence caused by the deeper Blackshale seam. Mr and Mrs Knibb again claimed compensation.

Under section 1 of the Coal Mining (Subsidence) Act 1957, the primary obligation of the NCB was to execute remedial works. However, it had the right to elect instead to make a payment equal to the reasonable cost of remedial works or to the depreciation of value in the house if less.

The NCB elected not to execute remedial works. On July 31 1980 it made a formal election to compensate on a depreciation basis. It made offers to settle the claim, none of which was accepted by Mr and Mrs Knibb. On August 5 1981 they referred their claim to the Lands Tribunal.

The tribunal's decision was that it "determined the amount of compensation payable . . . in the sum of £2,500 together with interest from July 31 1980." No order was made as to costs.

The NCB appealed from the decision to award interest.

Section 3(1) of the Law Reform (Miscellaneous Provisions) Act 1934 provided that in proceedings for "damages" in any "court of record," the court might order interest.

The tribunal held that it was not a court of record since it was a creature of statute and the statute creating it did not so declare. That aspect of the decision was accepted.

The alternative basis on which the tribunal had been urged to assume jurisdiction to award interest was by analogy with the powers of arbitrators. It held that there was no reason in logic why it should not have the same powers as an arbitrator.

In *President of India v La Pintada [1985] 1 AC 104, 119* it emerged that where parties referred a dispute to arbitration in England they impliedly agreed that it was to be conducted in accordance with English law unless the agreement of reference otherwise provided; and English law included section 3(1) of the 1934 Act.

Where the abitrator was statutory as contrasted with consensual, his mandate was determined by the terms of the statute under which he was appointed (see *Monmouthshire v Newport [1947] 1 All ER 916*).

The mandate of the Lands Tribunal was derived from the Lands Tribunal Act 1949, the Lands Tribunal Rules 1975 and the Coal Mining (Subsidence) Act 1957. Parliament provided that disputes arising under the 1957 Act should be resolved in the case of small claims by the county court, in the case of larger claims by the Lands Tribunal as a statutory arbitrator or, in either case if the parties so agreed, by a consensual arbitrator.

Two of those dispute settlers, the county court and the consensual arbitrator, undoubtedly had power to award interest. It was inconceivable that the third, the Lands Tribunal, was not intended to have a similar power if and in so far as proceedings before it were for the recovery of a debt or damages.

Mr and Mrs Knibb sought "an order requiring the NCB to carry out their obligations . . . or . . . for compensation by way of damages in respect of the failure of the NCB to carry out their obligation . . . "

That reflected section 13 (3) of the 1957 Act which provided that the tribunal might "by order—(a) require the board to carry out any obligations imposed on them by this Act . . . (b) award damages in respect of any failure of the board to carry out any such obligations within a reasonable time."

The tribunal erred in making a declaratory award. The claimants were seeking damages. The award should have been for damages and interest at a specified rate.

Mr and Mrs Knibb challenged the decision to award interest from July 31 1980 rather than December 31 1975, and to deny them the costs of the hearing.

The tribunal considered that the proper date from which interest was to be calculated was from when the NCB clearly accepted liability to pay a sum equal to the amount of depreciation in the value of the property caused by the damage.

If the tribunal's reasoning were accepted it would be open to the NCB to reduce its liability in terms of interest by postponing its election to make payment instead of executing remedial work, notwithstanding that a duty to do one or the other plainly arose "as soon as reasonably practicable after the occasion of any subsidence damage."

That could not be right.

The tribunal should have approached the matter on the footing that the NCB's obligation was to pay compensation "as soon as reasonably practicable after the occasion of the subsidence damage." As it held that the cause of action arose on December 31 1975 it must have considered that was the latest date for the performance of the duty.

Mr and Mrs Knibb had been deprived of the use of the money and the NCB had had the benefit of its use since December 31 1975. The advantage to the NCB and disadvantage to Mr and Mrs Knibb fell to be redressed by an award of interest from that date.

There was no error of law in making no order as to costs; the order made was a reasonable exercise of the tribunal's discretion.

LORD JUSTICE NOURSE, dissenting, said that the case was governed by *Swift v Board of Trade [1925] AC 520* and *Monmouthshire v Newport* [where it was held respectively that awards for compensation for requisition of food under emergency legislation, and for alteration of county boundaries, could not include interest from a date prior to the award].

There was no material difference between the provisions for reference to arbitration and the mandates given to the arbitrators in those cases, and the provisions of section 13 of the 1957 Act. In each of the three cases the task of the arbitrator was to determine a sum which could not be quantified beforehand.

LORD JUSTICE GLIDEWELL, agreeing with the Master of the Rolls, said the decision was limited to the wording of the 1957 Act and should not be understood as a decision that the Lands Tribunal was entitled to award interest in every case from the date on which the right to compensation arose.

For the NCB: Anthony Parnell QC and Guy Roots (R. V. Cowles for J. G. Tyrrell, Eastwood, Nottinghamshire).

For Mr and Mrs Knibb: Nigel Wilkinson (Allan Jay & Co for Anderson & Co, Nottingham).

By Rachel Davies
Barrister

Premium bond money goes to receivers

IN RE EVTR Ltd

Chancery Division: Mr Michael Wheeler QC, sitting as a deputy High Court judge: July 7 1986

WHERE MONEY is lent to a company for the designated purpose of purchasing equipment, the secondary trust attaching to the money in favour of the lender terminates once that purpose is achieved and is not revived if the purchase of equipment subsequently falls through so that part of the money is returned to the company's receivers.

Mr Michael Wheeler QC, sitting as a deputy Chancery judge, so held when determining that £48,536 recovered by the receivers of EVTR Ltd were part of the assets of the company and were not the subject of a trust in favour of the respondent, Mr A.C. Barber.

HIS LORDSHIP said the company provided specialist services for TV programmes and films. By the middle of 1984 it was in financial difficulties.

Mr Barber was a lighting director who had done some work for the company and who was on friendly terms with those who ran it.

On August 3 1984, Mr Barber won a premium bond prize worth almost £250,000. That, coupled with his interest in the work of the company and his relationship with those who ran it, made him an obvious source of potential financial help.

Mr Barber's accountants warned him of the dangers of a speculative investment and urged him that if he was determined to help the company to buy equipment, to buy it himself and lease it to the company, so that he got something tangible for his outlay.

On August 24 1984, it was agreed that a new company called Relisave should acquire the whole of the company's share capital and that Mr Barber should subscribe £40,000 for 30 ordinary shares in Relisave. Also, Mr Barber was to use all reasonable endeavours to procure the leasing to the company of equipment at £60,000.

Mr Barber was therefore to invest £100,000 in the new Relisave company group, £60,000 of which was to be spent in his buying equipment and leasing it to the company.

The difficulty was to find equipment worth that figure.

On August 28 1984, Mr Barber paid a cheque to Relisave's solicitors. It was described in the receipt as "monies from A.C. Barber for equipment" and was placed on deposit and held to Mr Barber's order.

On August 29 the company received a quotation from a company called Quantel to supply temporary equipment for £100,000 and new equipment costing £140,000 plus value-added tax. On the company's returning the temporary equipment to Quantel, Quantel would credit the company with £100,000 against the purchase price of the new equipment.

Quantel's offer was accepted by the company.

On October 26, Mr Barber signed an authorisation to the solicitors to release the £60,000 held in the Relisave account "for the sole purpose of buying new equipment." The solicitors' cheque for £60,000 was handed to the company.

Mr Barber was no longer to purchase any equipment himself for leasing to the company. Instead, his £60,000 was required urgently to provide the greater part of £100,000 required for the temporary equipment, which would ultimately be credited against the purchase price of the new equipment.

The cost of the latter would require additional finance and that emerged in the form of a company called Concord Leasing. By a contract between the company and Concord, Concord agreed to buy the new equipment and lease it to the company.

Concord undertook to pay the full purchase price to Quantel. The temporary equipment was delivered to the company on November 9. Quantel would not release it without payment and it was agreed at Concord's suggestion that Mr Barber's £60,000 should be paid as a deposit.

On November 30, Concord wrote to the company proposing amendments to the lease purchase documents which would in effect treat £21,000 of the £60,000 deposit as VAT payment.

On February 8 1985, Barclays Bank appointed receivers and managers under a debenture. Quantel collected the temporary equipment and paid the company £29,625, representing £39,000 deposit paid on order for the new equipment, less deductions for cancellation charges and service and hire costs.

Concord accepted the appointment of the receivers as a repudiation of the contract between itself and the company. It repaid £18,911 to the company, representing the £21,000 VAT, less interest on £41,500 that Concord was said to have paid Quantel at the request of the company.

Those two sums, £29,625 and £18,911, were the subject of the present summons by the receivers and managers. The question was whether they were company assets or were held on trust of Mr Barber.

The trust principle on which Mr Barber relied was set out in *Quistclose Investments v Rolls Razor (1970) AC 567*. There, the mutual intention of company and lender was that the sum advanced should not become part of the assets of the company but should be used exclusively to pay a dividend.

Lord Wilberforce said: "When the money is advanced, the lender acquires an equitable right to see that it is applied for the primary designated purpose . . . The intention to create a secondary trust for the benefit of the lender, to arise if the primary trust to pay the dividend could not be carried out, is clear, and I can find no reason why the law should not give effect to it."

The problem in the present case was that the primary designated purpose that could be said to govern Mr Barber's £60,000 changed radically more than once during the period between the agreement of August 24 1984 and the repayment of the sums less deductions to the company.

The original plan was for Mr Barber to purchase £60,000 worth of equipment and lease it to the company. That fell through. The next stage was the company's contract with Quantel under which the company agreed to buy the new equipment. Thereafter, the idea of Mr Barber's purchasing the equipment was abandoned.

Then Concord came on the scene. That again caused a change of plan because Quantel would not release the relatively valuable temporary equipment without some payment. So Mr Barber's £60,000 was paid to Quantel as a deposit against the purchase price of the new equipment.

Mr Barber concurred in that new plan and when he signed the authorisation letter to the solicitors he was contemplating that his £60,000 would be used as a deposit against the purchase price of the new equipment, and that he would be a loan creditor of the company in respect of that sum.

The company parted with the £60,000 in accordance with Mr Barber's authorisation to the solicitors, "for the sole purpose of buying new equipment."

The primary designated purpose was thus carried out and once the company had parted with the £60,000 in that way, no question of a trust attaching to the money in favour of Mr Barber could ever arise.

It might be argued that the primary designated purpose had not been carried out because, after the appointment of the receivers, the contract for the purchase of the new equipment came to an end; and that the trust which had attached to the £60,000 still attached to it, and accordingly attached to the money recovered by the receivers.

Such an argument was unsound. It would represent a substantial extension of the *Quistclose* principle. The primary designated purpose in the present case was limited to the use of the £60,000 by the company in the purchase of the new equipment. Once the company did that, the trust concept came to an end and was not revived merely because the purchase subsequently fell through.

For Mr Barber: Nicholas Valios (Wegg-Prosser & Farmer)

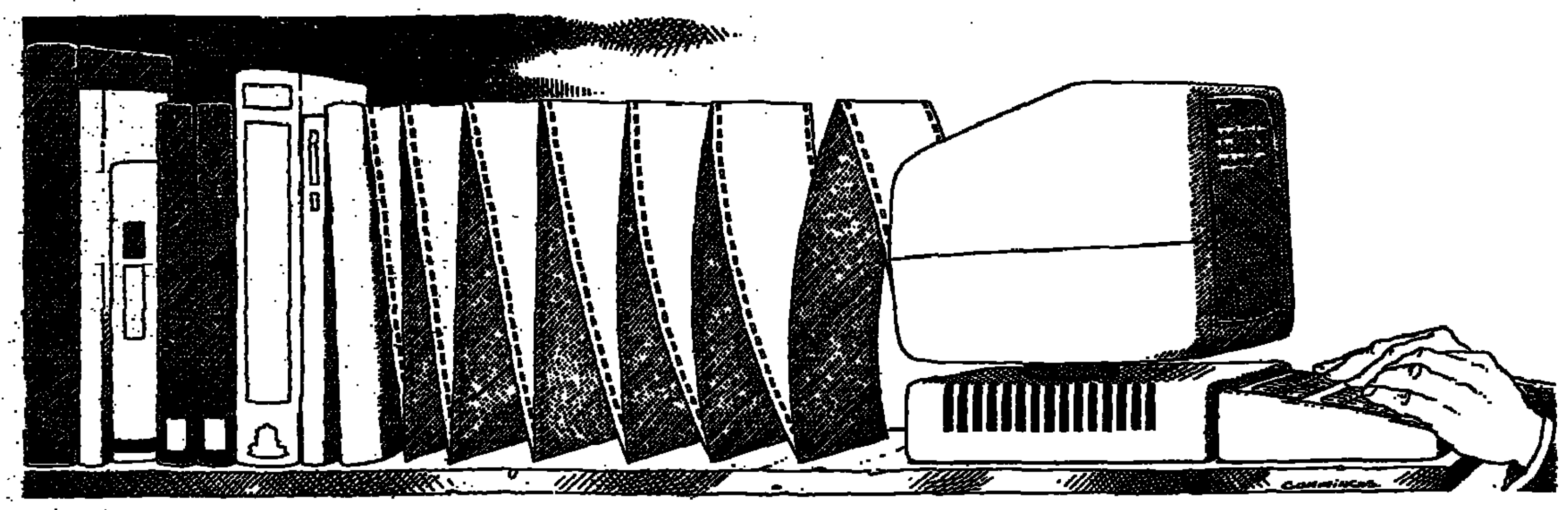
For the receivers: Richard De Lacy (Jaques & Lewis)

By Rachel Davies
Barrister

TECHNOLOGY

Desktop printing systems market is set to double to over $1bn by 1990. **Tom Foremski,** in San Francisco, reports

The personal touch that cuts the cost of publishing



WHEN Kevin Anderson needs to publish a scientific paper he turns to his Apple Macintosh personal computer rather than a dedicated US$750,000 typesetting system that the rest of his department uses.

Anderson, who works as an editor and writer at the Lawrence Livermore National Laboratory in Livermore, California, is one of a growing number of people using low cost publishing systems based around personal computers to achieve high quality results at a much lower cost than using traditional typesetting systems.

"I now find that I have much greater control over the work I produce. And, on a typical 30-page document from start to finish I can probably save about US$1,000 or 25 per cent of the total cost compared with typesetting methods," Anderson says. At a cost of around US$11,000, his desktop publishing system is built around a Macintosh personal computer from Apple, Pagemaker publishing software from the market leader Aldus, a hard disk for storing large amounts of data, and an Apple Laserwriter. This configuration is a fairly typical one although the scramble for a share of the rapidly expanding desktop publishing market is producing an ever-increasing number of choices.

Smaller companies have been quicker to grasp the nettle

Personal computers have been used for many years to publish small documents but they have been inflexible and limited by the poor resolution of dot matrix printers. With the advent of the Macintosh personal computer from Apple and low cost laser printers, the ability to produce pages of near typeset quality—combining text and pictures—has become possible.

The Macintosh has an advantage over other personal computers, which are mainly modelled on the IBM PC, by its powerful graphics capabilities. This allows it to display exactly how a page will look in different typefaces and sizes. Desktop publishing software is used for page layout so avoiding the "paste up" procedure used with typesetting methods. It also allows inexperienced users to produce professional looking documents.

The market for desktop publishing systems is one of the few bright spots for the computer and software industry in which growth has been hard hit over the past 18 months.

Computer industry giants IBM and Xerox are among the latest companies to announce plans for offering desktop publishing systems. Their main target is the huge amounts of money spent by large organisations on publishing tasks. Interconsultant, a US market research company, estimates that US corporations spend between 6 and 10 per cent of their annual incomes on a variety of publishing tasks ranging from in-house reports and newsletters to financial reports to shareholders.

CRA Pesko Associates, another market research company, claims that by 1990 sales of desktop publishing systems based around personal computers and low-cost laser printers will reach a value of at least US$1bn compared with last year's total sales of US$503m. Although Fortune 500 corporations (top companies in the US) are expected to account for 70 per cent of this market, large organisations are not yet showing much sign of a move away from their dedicated typesetting systems.

Robert Lefkowits, senior industry alalyst at market research company Infocorp says: "Large organisations are beginning to look at using desktop publishing systems but they have yet to make a major commitment. My research shows that small businesses are the ones that are choosing desktop publishing systems."

Lefkowits adds that corporations have bought large quantities of IBM PC computers and would prefer to wait until effective desktop publishing software becomes available on those computers.

At Bank of America, one of the few major corporatons to approve the use of Macintosh computers along with the ubiquitous IBM PC, there are no plans to use desktop publishing systems. A bank of America representative says: "We spend a lot of money on various forms of publishing but we have a large dedicated typesetting system and it has been optimised over the years to be quite cost efficient. We are thinking about a pilot project to compare costs with a desktop publishing system but it is not a big priority for us."

Smaller organisations have generally found that a desktop publishing system can be justified in terms of lower publishing costs and greater control over the finished product. The disadvantages are that the quality of the finished page is not as good as typeset text. It can take longer to produce a document and such systems cannot handle multiple colour printing or reproduce half-tone pictures well.

At Silicon Valley-basd 3COM Corporation, the documentation department has switched to a Macintosh-based desktop publishing system running Pagemaker software to produce all of its manuals. Miss P. J. Moeller, one of the project coordinators reports that the cost savings are substantial. "It costs us around $10 a page compared with $60 using our old typesetting methods. It does take longer to produce a manual, partly because we are still getting used to the system but we end up with much better-looking products.

Moeller says that some of the disadvantages are that although Pagemaker does a good job as a paste up tool, its text editing capabilities are limited and spaces have to be left for pasting in pictures.

Anderson, at Lawrence Livermore Laboratories says he is sticking with his desktop publishing system but complains that he spends too much time designing page layouts rather than doing the job he is paid for, writing and editing scientific papers.

Page layout design is one of the biggest problems facing users of desktop publishing systems. It is normally carried out by experienced production staff. The ease with which desktop system users can rapidly experiment with different type faces, sizes and layout can often lead to strange looking documents.

New York-based software company Manhattan Graphics is, therefore, planning to include some automatic design features in the next version of its desktop publishing package Ready-set-go.

Low-priced laser printers are key to high market interest

Relatively low-cost laser printers costing between $2,000 and $7,000 are the key to the present high interest in desktop publishing systems but they also represent a limitation that could slow the market's growth. A laser printer is capable of a resolution of 300 dots per inch which is not as good as the resolution of a typesetting system at over 1,000 dots per inch. So this results in a slightly "fuzzy" text character image making laser printed copy unsuitable for high quality publications.

For a large number of tasks, laser printers produce acceptable results. Many photocopying shops in the San Francisco area are installing laser printers for hire at between $5 to $16 per hour and for as little as 15 cents per printed page. These allow small businesses to produce publications without having to spend up to $7,000 on a laser printer.

APPLE UNDER THREAT AS IBM AND XEROX JOIN THE BATTLE

APPLE COMPUTER with its Mackintosh personal computer family has come to *dominate the new market for* desktop publishing aided by software packages such as Pagemaker from Aldus. But announcements by IBM, Xerox and other large computer manufacturers that they will offer their own hardware and software packages *for* desktop publishing, signals the start of a battle for a lucrative market that Apple will have difficulty in holding.

Big corporations have been identified by many industry observers as the largest potential buyers of desktop publishing systems. Their reluctance to change from traditional typesetting methods is partly due to a *conservative attitude* and *to* the fact that they have a large investment in the IBM PC family of personal computers. These computers cannot handle the graphic intensive tasks that desktop publishing demands, without adding extra and expensive additional circuits. In *spite* of these limitations, desktop publishing software is now emerging which will run on IBM PC and compatible *microcomputers.*

Software companies are racing to grab a slice of this market, with over 4m IBM PC and compatible computers currently in use. In *contrast*, Apple has an installed base of just over *500,000 Macintosh computers.* Pesko Associates predicts that desktop publishing systems based around IBM PC and compatible computers will overtake Macintosh based systems by the middle of next year.

Robert *Lefkowits*, senior industry analyst at market research company Infocorp, says: "Large organisations already have large numbers of IBM PC systems so it *makes sense for them to wait* for desktop publishing applications that run on such systems."

The popular Pagemaker software package from Aldus, has over 20,000 users but the company is working on an *IBM PC version that is* already being tested at several secret locations. Paul Brainerd, president of Aldus, predicts: "The IBM version of Pagemaker will outsell our Macintosh version when it becomes available later this year."

New chips from US companies Texas Instruments and Intel have been introduced that can give IBM PC computers the ability to match *the high resolution* graphics capabilities of a Macintosh computer. The availability of these graphics chips in high volume should result in low cost add-on circuit boards that can effectively challenge the advantage that an Apple Macintosh system currently has.

A declining trend in the cost of laser printers and new non-impact printers with increasingly higher printing resolutions are other factors which will push large organisations into relying less on *dedicated typesetting systems.*

Apple will not give up its market lead easily. Sources close to Apple report that the company is planning to introduce more powerful computers that will keep it a step ahead of competing companies.

Putting a finger on business enquiries

By Geoffrey Charlish

TELEPHONE ENQUIRIES can be dealt with much more efficiently with a new system from British Telecom which, with 30 stations and a processor, sells for about £150,000.

Called Touchline, it is aimed at businesses which take orders, bookings or service requests from the public. It uses touch-screen video terminals and data transmission between stations.

For example, it allows operators to type customers' details on to the screen and transfer them together with the call, to another department if necessary.

Operators also have fingertip access to other useful information stored on the company's mainframe computer and can respond instantly to queries about products, prices and services.

Touchline will also ease the irritation customers feel when they are transferred from one department to another and have to repeat their details.

Ideal book for the financier's bedtime

By Louise Kehoe

CHIP TECHNOLOGY for the financier, politician and lawyer is the subject of a new book, "Sand, Silicon and Systems."

The book has been published by DM Data of Scottsdale, Arizona, and was written by Howard Dicken as a reference book for the layperson, in the belief that semiconductor technology and industry knowledge is becoming a "need to know" subject among non-technicians. More on (602) 945 9620 in the US.

Company Notices

NOTICE OF ADJOURNED MEETING OF THE HOLDERS OF

XEROX CANADA FINANCE INC.
(Incorporated with limited Liability in Canada)

Ecu 40,000,000 8½% DEBENTURES DUE 1990 ("THE DEBENTURES")

NOTICE IS HEREBY GIVEN that the Meeting of the holders of the above Debentures held in London on 17th July 1986 was adjourned and the adjourned meeting at which two or more persons present in person holding Debentures, or voting certificates or being proxies (whatever the principal amount of the Debentures so held or represented) will form a quorum, will be held on 31st July 1986 at Xerox Canada Finance Inc., 703 Don Mills Road, North York, Ontario, M3C 1S2, Canada at 10.00 a.m. (Toronto time) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution:

That this Meeting of the holders of the Debentures of Xerox Canada Finance Inc. HEREBY:

(a) assents to amendment of Condition 3(b)(2) of the Debentures by its deletion therefrom and the substitution therefor of the following with effect from the passing of this resolution:

"mortgages on property or assets subsequently acquired (or, in the case of property, constructed) by the Company and created prior to, at the time of, or within 18 months after such acquisition (or the completion of such construction), to secure or provide for the payment of or the financing or re-financing of the payment of all or any part of the purchase (or construction price."

(b) authorises Xerox Canada Inc. to amend the Deed Poll dated 23rd September 1985 ("Deed Poll") in order to clarify clause 3 of the Earnings Support Agreement (as defined in the Deed Poll) by deleting the existing clause (2)(A)(I)(a) of the Deed Poll and substituting the following therefor with effect from the passing of this resolution:

"(a) its obligations under the Earnings Support Agreement, provided however that, for greater certainty, any reference in such Earnings Support Agreement to ownership of voting shares of the Company means and includes, for purposes hereof, direct or indirect (through one or more wholly-owned subsidiaries) ownership of such voting shares, and"

By Order of the Board

XEROX CANADA FINANCE INC.

By Banque Paribas (Luxembourg) S.A. of Luxembourg Fiscal Agent

18th July 1986

NOTES:

1. To attend and vote at the Meeting, holders of Debentures must produce either their Debentures or voting certificates. Such holders may also appoint proxies. To obtain a voting certificate or appoint a proxy, holders of Debentures must deposit their Debentures at any time with (or to the order of) the Fiscal Agent or any Paying Agent not later than 48 hours before the time fixed for holding the Meeting but not thereafter.
2. Should a holder of Debentures not wish to be present in person, he may [illegible] his [illegible] instructions [illegible] must [illegible] Fiscal [illegible] later [illegible] the [illegible]
3. [illegible] with [illegible] valid [illegible] ation [illegible] Agent [illegible] Xerox [illegible] than [illegible] Meeting [illegible]
4. [illegible] voting [illegible] the [illegible] will [illegible] Meeting.
5. [illegible] business [illegible] 703 [illegible] Ontario.

UNICO INVESTMENT FUND

The semi-annual report 1986 together with the annual report 1985 and the prospectus of the Fund may be obtained from the Paying Agents and from Amsterdam Liaison Office:
N.Z. Voorburgwal 162-170, 1012 SJ Amsterdam/Holland. Tel. 20-262363. Tlx. 15412.

Subscriptions can only be received if made on the basis of the current prospectus together with the latest (semi)-annual reports.

JAMES BEATTIE PLC

NOTICE IS HEREBY GIVEN that the 6% Preference Share TRANSFER BOOKS of the Company will be closed from the 24th to 31st July, 1986, both dates inclusive.

By Order of the Board
R. S. TAYLOR
Secretary

71/78 Victoria Street, Wolverhampton.

ECU 50,000,000
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In accordance with the provisions of the Notes, notice is hereby given that for the six month interest period from July 22, 1986 to January 22, 1987 the Notes will carry an Interest Rate of 7⁹⁄₁₆% per annum. The interest amount payable on the relevant interest Payment Date which will be January 22, 1987 is ECU 386.53 for each Note of ECU 10,000.

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ZAMANA GALLERY, 1 Cromwell Gardens, SW7. 01-584 6612. CENTURIES OF GOLD—The Coinage of Islam, Until 5 Oct. Tue.-Sat. 10-5.30; Sun. 12-5.30. Adm. £1.

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Opera and Ballet

WEST GERMANY

München, Bayerische Staatsoper: Munich's annual opera festival to July 31. The week starts with La Forza del Destino, starring Mara Zampieri, Marjana Lipovsek and Wolfgang Brendel. Le Nozze di Figaro has Delores Ziegler, Helen Donath, Cornelia Wulkopf and Hermann Prey. Also offered Les Contes d'Hoffmann, this year's only new production, by Otto Schenk. The cast includes Neil Shicoff, Trudeliese Schmidt and Cornelia Wulkopf. Other operas include August Everding's production of Die Zauberflöte with Helen Donath, Kurt Moll, Francisco Araiza; Don Giovanni with Cheryl Studer, Angela Maria Blasi and Thomas Allen. One evening is reserved for Douglas Young's ballet Ludwig, choreographed by Ronald Hynd.

LONDON

Royal Opera, Covent Garden: The last two performances of the season are the Così fan Tutte revival (conducted by Gabriele Ferro, with a cast including Karita Mattila, John Aler, Anne Sofie von Otter, and Walter Berry) and, on the last night, a special From performance of the disastrous new Fidelio production which marks Colin Davis's last London appearance as musical director of the house. (240 1066)

London Festival Ballet, Coliseum (8463161).

ITALY

Rome: Terme di Caracalla: Rome opera summer season continues with a repeat of last year's successful production of Turandot – but this year with the traditional ending, conducted by Alain Lombard, Eva Marton sings the title role, the young Romanian tenor Vasile Moldoveanu sings Calaf, Lucia di Lammermoor with Edita Gruberova, Ettore Nova, and Alberto Cupido, conducted by Friedrich Haider. (461755)

Verona: Arena di Verona: Aida conducted by Daniel Oren. Natalia Troiskaya sings Aida, Fiorenza Cossotto (Amneris) and Franco Bonisolli (Radames); La Fanciulla del West conducted by Maurizio Arena; Andrea Chenier, by Giordano, conducted by Gianluigi Gelmetti and directed and with scenery and costumes by Attilio Colonnello. Jose Carreras sings the title role, and the cast includes Montserrat Caballé and Renato Bruson. (28151)

NEW YORK

New York City Opera (NY State Theatre): 20 weeks of summer opera including new productions of Werther, Don Quichotte, The New Moon and the world premiere of Anthony Davis's X (The Life and Times of Malcolm X) continues with Die Fledermaus, Carmen, La Bohème, Werther and The Pearl Fishers. Lincoln Center. (870 5600).

TOKYO

Bella Lewitzky Dance Company (US). Suite Satie, Inscape, Theatre Apple, Kabuki-cho, Shinjuku. (Tue, Wed, Thur) (4197040).

Mikhail Baryshnikov and Company. The Class, Who Cares, Papillon NHK Hall. (Mon) (4993592).

Exhibitions

PARIS

Hispano-American Silversmith's work: The 150 exhibits on loan from the Buenos Aires municipal museum cover three centuries and are the result of the combination of the legendary riches of the Peruvian mines with the exuberance of colonial craftsmanship. Silver – beaten, chiselled, filigreed – accompanies everyday life. For the gaucho there are silver stirrups and cruel looking spurs. There are delightful perfume-burners in shapes of animals and maté cups for traditional herbal infusions decorated with endlessly inventive flower motives. As for liturgical objects, religious fervour tends to make the ornate baroque style rather overpowering. Louvre des Antiquaires, 2 Place Palais-Royal (4297 2700). Ends Sept 6.

Mediaeval art in Paris: The abbots of cluny built their magnificent late gothic town house in the heart of the Latin Quarter on three blackened ruins of Roman baths. Now a museum, it houses mediaeval works of art: goldsmith's work, carved altar pieces, ivories, fabrics, with two English royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the Unicorn *mille fleurs* tapestries – an allegory of the five senses, one of the masterpieces of mediaeval art. Musée de Cluny, 6 Place Paul-Painvevé, Métro Odéon.

WEST GERMANY

Düsseldorf, Kunstmuseum, Ehrenhof 5: Otto Pankok (1893-1966). The Passion: 60 huge charcoal drawings by the German expressionist covering 1933-34. Ends Oct.

Essen: Villa Hügel: The chairman of Krupp, Dr Berthold Beitz, who is also head of the private Ruhr cultural institute, was the moving force behind this exhibition, helped by Mr Erich Honecker, the East German leader. The Villa Hügel, 114 years old, has been redecorated for the exhibition. This is the first show organised by the institute, founded three years ago on the initiative of the Krupp Foundation. The treasures from the period 1694-1733 of great Electors are on loan from Dresden's state cultural collections. The eight royal collections are presented separately with characteristic master works. There is also one of the oldest and most complete coin collections in the world and a huge collection of arms and copper engravings by Boucher, Chardin, Piranesi and Tiepolo. The picture gallery includes works by Titian, Poussin, Velasquez, Rubens, Rembrandt and Cranach. Ends Nov 2.

BRUSSELS

Ghent: Chambres d'Amis, 51 international artists showing in 51 private houses. Tickets, map etc from Modern Art Museum, Ghent (091/21 17 03). Ends Sept 21.

LONDON

The Tate Gallery: Oskar Kokoschka – a major exhibition to mark the centenary of the Austrian survivor of the great age of expressionism before World War I, who died only in 1980 at the age of 94. He continued to work long into old age, by which time the sometime radical, ex-cavalryman in the Austrian Emperor's army had been long confirmed in the Establishment, a Swiss resident for nearly 30 years and British citizen for nearer 40. This full retrospective confirms that the young painter, fresh from his studies in Vienna in the mid-1900s, was an artist of vision and true genius. Ends Aug 10.

ITALY

Venice: Palazzo Grassi: Futurism and Futurisms: Fiat opens its art centre on the Grand Canal with the largest exhibition to be devoted to the Futurist Movement, a movement born in Italy, and the first to exalt technology, and to try to convey speed on canvas. More than 300 works have been lent. The paintings are mainly from 1909-18, but there are also sections devoted to literature, theatre, music, architecture, fashion and furniture, showing futurism's influence up to 1930. Ends Oct 12.

Florence: Palazzo Pitti (Sala Bianca): Mary Magdalene: Saint and Sinner: An inspired exhibition based on the contrasting aspects of the character of Mary (who symbolises both sin and redemption) as seen by artists as diverse as Titian (the glorious Mary Magdalene of Noli Mi Tangere) to Guttuso and de Chirico, via the gloomy and often despairing figure of many of the 19th century paintings. Ends Sept 7.

The Venice Biennale: The pavilions of the Giardini at the farthest end of Venice, the magnificent Corderie of the Arsenale and the Palasport nearby are now full of art. Arte e Scienza is the theme in the Central Pavilion of the Giardini, embracing the metaphysical and surrealist strain in modern art, an investigation of the tricks and devices of perspective; and a collection of oddities and marvels from all periods.

The national pavilions in the Giardini disregard theme but are highly conscious of the jury. The Spanish pavilion is outstanding, but the French pavilion gets the prize. The Golden Lion is shared by Sigmar Polke of West Germany and Frank Auerbach of Britain.

NETHERLANDS

Utrecht, Catharijneconvent. The legends and facts surrounding the life and voyages of St Brendan, the 6th-century 'Irish Odysseus', are examined with the aid of fancifully illuminated manuscripts and early printed books. Ends August 18.

Amsterdam, Rijksmuseum: Impressionists and their contemporaries in an exhibition of 140 French prints spanning the period 1860–1900, including foreign artists who made Paris their spiritual home. Ends Sept 7.

Amsterdam, Royal Palace: This year's summer exhibition is devoted to the work of Jacob de Wit, an 18th-century Dutch artist likened in his day to Titian, specifically to his vast paintings of Moses selecting the Seventy Elders – which lines one wall of the Council Chamber – study drawings of which are now on display below the canvas. De Wit excelled in his trompe l'oeil grisailles imitating stucco and sculpture, to be seen in this Chamber and the adjoining gallery. Ends Aug 31.

Den Bosch, Noordbrabants Museum. Regional costume and jewellery from the Catholic south of Holland as worn by the ordinary folk of town and country in the period 1500-1940. Illustrated with many surviving pieces, the evolution in design is further traced in paintings, prints and photographs showing the dress worn for high days and ceremonies: baptism, first communion, marriage and mourning. The greatest variety was in the lace caps and bonnets, often specific to a town or village and richly decorated with bows and ruches. The ornate jewellery, or "peasant gold," reflects growing rural prosperity towards the end of the last century. Ends Aug 31.

SPAIN

Madrid, References and Identities. An encounter of prestigious international artists welcoming the inauguration of a new art centre in Madrid: Centro Reina Sofia, Santa Isabel 52. Ends Sept.

Madrid, "Monsters, Dwarfs and Buffoons in the Court of the Austrias. Superb collection of painting by Ribera, Velazquez, Carreno, Veronese, Mazo, Antonio Moro, Sanchez Coello, Sanchez Cotan. Grouped together to show the splendid donation by the Fundacion Bertran to the Fundacion Friends of the Prado Museum: Juan van der Hamen's "Portrait of a Dwarf", XVII century. Prado Museum, Edificio Villanueva, Paseo de Prado. Ends Aug 30.

Madrid, Nofret, La Belle, Women in Ancient Egypt sponsored by Catalonia's Savings Bank La Caixa with Hans der Kunst (Munich's Egyptian museum) and Cairo Museum, have set up this splendid show to raise funds to build future premises of National Museum of Egyptian Culture in Cairo. This exhibition gathers 96 pieces, including jewellery, brass sculptures, wood boards, and paper fragments that illustrate the significance of women in ancient Egypt. Artistic treasures offer a testimony of Egyptian history over 3,000 years. A must to understand women's role with the family, religion and politics neatly presented in chronological order. Fundación Caja de Pensiones, Serrano 60. Ends Aug 3.

NEW YORK

Japan House: Burghley House, with the earliest known record of Japanese porcelain in Europe, provides a touring exhibit that will visit the High Museum in Atlanta and then Japan through 1988 with 205 Japanese and Chinese objects dating from the 16th to the 18th centuries. Ends July 27.

Museum of the City of New York: Arbit Blatas's paintings, drawings and sculptures of Three Penny Opera covering 12 scenes and 11 characters, were inspired by the historic Theatre de Lys production in 1954 starring Lotte Lenya. Ends Oct 15.

Picasso Sketchbooks (Pace Gallery): Opening a 14-city international tour, the 200 drawings, water colours and notes from 45 of Picasso's 175 carnets give insights into the artist's methods and preliminary work on such famous paintings as Les Demoiselles d'Avignon, Rape of the Sabines and Mother and Child. Ends Aug 1. 57th E of Madison.

Whitney Museum: The largest exhibit ever mounted of Shaker design shows off the strong, simple lines in the furniture, tools, textiles and graphic design of one of the great American Puritan cultures that remained separatist and intact for more than a century. Ends August 31.

Museum of Modern Art: Vienna 1900, including 700 paintings, designs and objects, covers silverware, jewellery, furniture and ceramics, with the Successionists like Klimt and his Golden Style, as well as Kokoschka and Schiele in a comprehensive exhibit that illuminates the birth of modernism. Ends Oct 21.

WASHINGTON

National Museum of American Art: 68 Pueblo Indian watercolours from between the world wars recreate the ritual animal dances among other disappearing tribal customs. Ends August 17.

National Gallery: The first major retrospective of the works of 19th-century American landscapist George Inness traces the artist from the early influence of French Barbizon landscapes through the development of his own soft naturalism with dramatic skies dominating rolling terrains. Ends Sept 7.

CHICAGO

Art Institute: Famous as a fashion photographer, Richard Avedon undertook a five-year project to capture the American West in the tradition of nineteenth-century photographers such as William Henry Jackson. The results are "a fictional West," Avedon claims, with outsized portraits of Americans ranging from a rattlesnake roundup to county fairs. Ends August 3.

Art Institute: Treasures of Japanese Buddhist Art, the only showing in the Western world of works from the great Todaiji Temple in Nara, Japan, includes 151 statues, handscrolls and intricately designed lacquered objects from the largest wooden temple in the world. Ends Sept 7.

Music

BRUSSELS

Royal Protestant Chapel (5123030), Marcel Ancion, clarinet and Daniel Blumenthal, piano. Mendelssohn, Schumann, Weber. (Tue).

PARIS

Yvan Chiffoleau, cello. Frederic Aguessy, piano: Beethoven, Bach, Brahms (Mon 7pm). Auditorium des Halles, 5 Porte Saint-Eustache.

Veronique Roye, piano: Mozart, Chopin, Liszt, Schumann (Tue 6.30pm) Auditorium des Halles.

Groupe Vocal de France conducted by Michel Tranchant: M. Ohana, Bayer, Xenakis, Quatuor Via Nova: M. Ohana, Ravel, Beethoven (Wed 6.30pm) Auditorium des Halles.

All these concerts are part of the Paris Festival Estival (47849980). Taped information in English around the clock.

LONDON

John Vallier, piano. Schumann, Chopin and Liszt, in the presence of the Queen Mother. Royal Festival Hall (Tue).

National Opera Orchestra of Warsaw, Malcolm Sargent Festival Choir and Philadelphia Choral Arts Society conducted by Robert Satanowski, Vaughan Williams and Beethoven. Royal Festival Hall (Wed).

VIENNA

Osaka Junior Baroque ensemble from Japan. Vivaldi, Mozart and Japanese composers. Palffy Palace (525681). (Mon).

Prague Symphony Orchestra conducted by Jiri Belohlavek with Mirka Pokorna, piano. Janacek, Bohac, Dvorak. Arkadenhof (42800/2085). (Tue).

Seoul Chamber Orchestra conducted by Yong-Yun Kim. Mozart, Elgar, Respighi, Grieg. Schönbrunn Palace (42800/2085). (Wed).

Prague Symphony Orchestra conducted by Guenther Neuhold with Joerg Demus, piano. Schumann, Ravel, de Falla. Arkadenhof. (Thur).

NEW YORK

New York Philharmonic: Free concert of works by Weber, Liszt and Brahms conducted by Gunther Herbig and James Conlon will be performed in Cunningham Park, Queens (Tue) and Van Cortland Park, the Bronx (Wed).

Mostly Mozart Festival (Avery Fisher Hall): The Cleveland Quartet, Jean-Bernard Pommier piano, Walter Trampler viola. Haydn, Mozart (Mon); Festival Orchestra. Edo de Waart conducting, Jean-Bernard Pommier piano, Cho-Liang Lin violin. All-Mozart programme (Tue, Wed); Beaux Arts Trio. Mozart, Mendelssohn, Beethoven (Thur). Lincoln Center (874 2424).

WASHINGTON

Summer Festival (Concert Hall): Highlighted by a visit from the Newport Folk Festival in August, this summer-long string of popular singers and musicians includes recital performance Neil Sedaka, Shirley Bassey, Dionne Warwick and Petula Clark. Ends Aug 27.

CHICAGO

Ravinia Festival: The 51st season, honouring Mozart on the 230th anniversary of his birth and Liszt on the 100th anniversary of his death, continues with Marilyn Horne recital. Handel, Wolf, Mahler, Barber, Tosti, Donaudy, Verdi, Respighi, Arditi (Tue); Ella Fitzgerald with Milt Jackson and Ray Brown Quartet (Wed); Chicago Symphony conducted by Michael Tilson Thomas with Ilana Vered piano. Beethoven, Schubert, Mahler (Thur). Highland Park. (728 4642).

TOKYO

Yumiko Horigome (violin) accompanied by Yasuo Watanabe (piano). Bach, Beethoven, Bartok. Tokyo Summer Festival. Sogetsu Hall. In Tange-designed building and perfect for chamber music. Aoyama 1-chome. (Mon) (237 9990; 980 6060).

Stanislav Bunin (piano): Prokofiev, Chopin. Showa Women's College, Hitomi Memorial Hall, Sangenjaya (Tue) (237 9990; 980 6060). Tokyo Summer Festival.

Yumiko Sakuma (flute), Naoko Yoshino (harp): Ibert, Fauré, Glinka, Berio, J. S. Bach, Schapochnikov. Young musicians taking part in Tokyo Summer Festival, Sogetsu Hall. (Thur) (237 9990; 980 6060).

Theatre

LONDON

The Normal Heart (Albery): Tom "Amadeus" Hulce is playing the crusading hero of Larry Kramer's hysterical melodrama for a three-month season, as public concern over the Aids epidemic increases. (836 3878 · credit cards (CC) 379 6565).

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

Blithe Spirit (Vaudeville): Susan Hampshire and Joanna van Gyseghem have now joined Simon Cadell in this enjoyable Coward revival. (836 9987).

Troilus and Cressida (Barbican): Provocative RSC production set vaguely in the Crimean War with Juliet Stevenson refusing to play Cressida false but riveting just the same. The bumptious 1950s Merry Wives continues in repertoire. (628 8795).

Dalliance (Lyttelton): Tom Stoppard's new version of Schnitzler's Liebelei is a crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusion of middle-aged actors playing boyish dragoons in Peter Wood's numbingly respectable production. (928 2252).

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592).

When We Are Married (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhorse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1938 theatre has been beautifully renovated. (930 7765).

Noises Off (Savoy): The funniest play for years in London, now with an

Continued on Page 13

هكذا من الأصل

Cinema/Nigel Andrews

Woody Allen's fugue for three sisters

Hannah And Her Sisters directed by Woody Allen

Secret Admirer directed by David Greenwalt

Pinocchio directed by Walt Disney

ET directed by Steven Spielberg

Cambridge Film Festival

Mia Farrow and Michael Caine in a scene from Hannah And Her Sisters

Why do memorable siblings in myth or fiction so often come in threes? You may remember that troubled trinity of Electra, Orestes and Iphigenia. Dostoevsky insisted on the number three for his brothers Karamazov. Shakespeare gave us three sisters in *King Lear* and Chekhov followed suit 300 years later.

Now in *Hannah And Her Sisters* Woody Allen gives us his three sisters. The secret of the number three, I suspect, is that it springs a dramatic schema into life, just as a third dimension enlarges flatness into depth. Two is basic counterpoint; three becomes a fugue. And Allen's new film is the most superbly achieved fugue he has yet given us.

In neurosis-prone New York we juggle with three contrapuntal heroines. They are sweet and saintly Mia Farrow and her sisters, love-hungry Barbara Hershey and scatterbrained Dianne Wiest. Into this sibling imbroglio venture—at their peril—the men in their lives: TV producer Woody Allen who has divorced Mia and is now having some accident-prone dates with Dianne, and Michael Caine who is Mia's husband but is now falling hook, line and mid-life crisis for Barbara.

Also bobbing into view are Max Von Sydow (Barbara's husband), Sam Waterston (Dianne's brief Don Juan), Lloyd Nolan and Maureen O'Sullivan (the sisters' parents) and Carrie Fisher, who runs the Stanislavski Catering Company with pal Dianne, purveying canapés to the Bohemian smart set.

This wild confusion of characters and sexes, generations and vocations, is sorted — more or less — into two parallel plotlines. In one we bash around with all the permutating relationships. In the other we accompany Woody Allen *solus* on his search for the meaning of life. Allen thinks he has terminal cancer and so goes on an 11-hour hunt through competitive religions and philosophies: Buddhism, Hinduism, existentialism . . . "I need a dramatic change in my life," he tells his speechless Jewish father one day, explaining his overnight conversion to Catholicism. Soon after that he is taking notes at a Hari Krishna rally or boning up on Marx. (Karl, that is: he discovers Groucho later, to his relief and lasting redemption.)

This plot is to the movie what the Levin plot is to Tolstoy's *Anna Karenina:* a time out of the chaotic world of human relationships to explore the (for Allen, scarcely less chaotic) world of human self-scrutiny.

Each time we cut away from this *beautifully pixillated* odyssey, it is almost a return to sanity to get back to Caine's stylish befuddlement as he beds or blandishes Hershey; or to Mia's tiffs with her husband or drink-prone Mum (played by her real Mum, with lordly tipsiness); or to the hilarious Scandinavian despair of Von Sydow. "If Christ came back and saw what was being done in his name today," burrs the disgusted Max, after watching an evening's secular and religious salesmanship on telly, "he'd never stop throwing up."

Hannah And Her Sisters is as caustic and comical as any Allen movie before it. And its tone stretches all the way from the fundamentalist to the freely screwball. Who could resist the multi-megaton disaster, masquerading as a night out, in which Allen dates—or is dated by—Dianne Wiest. First they go to a rock concert ("My ears are in *meltdown*," complains Allen), then they fight over dinner, they part unamicably in the rain, quarrelling over cabs. "I've had a great time tonight," says Allen, essaying a summing-up, "it was like the Nuremberg trials."

Superbly acted by Allen's strongest cast yet, this is a film about the human condition in the 1980s: desperate, comfortless, rudderless and terminally funny.

*

Human relationships are no less tangled in the week's companion comedy *Secret Admirer.* But this bears about the same relation to Allen's film as *Noddy Goes To Toyland* does to *Much Ado About Nothing.*

An unsigned love letter, from a girl to her high school heart-throb, gets into the lives of several other characters, causing misunderstanding, jealousy and ignited passion. Fired by the letters poetry and mistaking its origin, two sets of parents —Dee Wallace Stone and Cliff De Young; Leigh Taylor-Young and Fred Ward—venture into cross-over adultery (or nearly), while their respective offspring (Lori Loughlin and C. Thomas Howell), who started the *billet doux* rolling, pursue love (or nearly) among the school lockers and sorority dorms.

"It was like *Tender Is the Night* or *The Way We Were,*" says someone of some romantic episode or other; giving one a clear idea of the standard of education in and around this school. Directed and co-written by David Greenwalt, the film is twee, hygienic and wet behind the brains, and it never summons the nerve to swap "nearly" for "really" in human passion.

*

What do the following have in common—a walking, talking *wooden puppet with a long nose,* and a walking, talking extra-terrestrial with a long telephone bill? Correct. *They are both* milestone heroes in the annals of children's cinema. Walt *Disney's splendid Pinocchio* bounces back on to our screens, with J. Cricket reminding you that *when you wish upon a star* it makes no difference who you are; you can even be a garden insect *wearing* a tailcoat and carrying an umbrella.

And welcome back to Steven *Spielberg's ET,* with its pugnosed intergalactic weirdo walking into fridge doors, discovering the disruptive possibilities of human beer and attempting telephonic contact with his *mother planet.* Spielberg piles on the magic and comedy, and the filmgoer whose throat does not feel a lump at the sky-soaring bicycles at the end is fit only for *Secret Admirer.*

At Cambridge, where on my last visit I fell fully dressed into the river while punting (entirely sober, I hasten to add), you too can submerge yourself while fully dressed: in the town's 10th Film Festival. Among the good movies welling up around you this year are Neil Jordan's *Mona Lisa,* Paradjanov's *Legend of the Suram Fortress,* Denys Arcand's brilliant human comedy from Canada, *The Decline of The American Empire,* and many more. Take a friend and much stamina.

Makarova/Coliseum

Clement Crisp

There are certain great dance artists whose interpretations have altered our perceptions about what performance may attain in communicative power, through that grand and self-immolatory incandescence which marks the art of the *monstre sacré.* So it has been with Makarova since her first appearances in London with the Kirov Ballet just 25 years ago. Even then, as a debutante Giselle, she showed how the controls provided by the finest classic *schooling might focus* the fire of her temperament and cause it to burn brighter.

Across the years, and especially since her decision to stay in the West in 1970, Makarova's performances have shown that special intensity that can hush an auditorium until the final curtain releases the cathartic explosion of cheers and applause: she has ever held us by the phoenix-rite through which she sacrifices herself in a role, which is reborn before our eyes. Her Giselle and Odette/Odile, her Juliet, Tatiana, Manon, are unassailable testimony to this.

It is the unique combination of temperamental impetuosity and rigorous academic control of means which brings to Makarova's dancing its especial quality; at what may seem the most abandoned and impulsive moments, the instrument remains a Stravidarius in the hands of a master, the dance keeps its formal rectitude whatever the effusions of feeling it expresses.

So it was at Wednesday *night's Royal Gala by Festival* Ballet, when Makarova made her only London appearance *this season (a disgraceful fact* which redounds no credit to British ballet companies) as Tatiana in Cranko's *Onegin.* It is a role which she made her own, from the dreaming girl of the first scene to the beautiful and mature woman who *racks* herself with grief as she rejects Onegin's love. It is a portrait whole, ablaze with *emotion.*

We see Tatiana fall in love *with Onegin and pinpoint* the very moment, at the end of her first duet with him. In the *letter scene* Tatiana's *body* bends reed-like in his arms before great gusts of passion. As he returns her letter, she is broken with sorrow; her solo in the party scene (ravishing in its speed and lightness and clarity) is an appeal for understanding, and a mirror of her despair.

The final scene, after 10 years have passed, is one of the supreme displays of dance acting in my experience, as Tatiana fights against Onegin's love and, in the process, dragging herself from him, seems to tear herself in half, falling back on him only to find fresh strength to reject him.

In all this, with *Alexander* Sombart a fine Onegin and a princely partner, Makarova deployed the *full panoply of her* art. It was a performance, as always with this ballerina, in which the truth of the role was told in the most sensitive and vividly expressive terms, and there is no other dancer today able so generously or gloriously to achieve this theatrical miracle.

Various rumours circulate about Makarova's intentions as to her career. It is certain that she is to appear in *On Your Toes* in Los Angeles and San Francisco during the summer months. After that I find it unthinkable that a peerless ballerina, her physical skills still *radiant (the dancing on* Wednesday was unflawed, girlish, light as ever and exquisitely *poised) should not find* roles that will offer new challenges and new rewards.

Were this to have been a London farewell, then Makarova has left us with no least sign of diminished powers. Her art is more potent than ever, and at the performance's end it received a happy accolade through the presence of the Princess of Wales, who gave Makarova the Evening Standard award for her contribution to ballet in 1985.

But not to see Makarova dance again is unthinkable. Our *ballet companies* have a duty to their public, to the art of dancing itself, to provide a *suitable repertory for* a ballerina of this magnitude. Otherwise they are cheating their *audiences* and diminishing ballet itself.

The Dead Monkey/The Pit

Michael Coveney

What an unappetising title that is. Not a legend to prosper *up in lights. Yet Nick Darke's* strange and quirky comedy for the Royal Shakespeare Company, *apart from providing a* few more laughs than *The Danton Affair,* fully justifies the *faith placed in him and is an* all-round improvement on his *Oren Glove Murder* at the Bush.

Mr Darke used to write rather sombre plays using spliced, tape-recorded research with farm hands and lightermen. Nowadays he starts off fizzy and works hard to stay that way. This play, well directed by Roger Michell, takes a rocky Californian marriage and shows how for 15 years Dolores and Hank have been kept together by the animal between them. Once the animal goes, bestiality takes over in an unwatchable assault.

In a remote beach house, (evocatively designed by Chris Townsend) a monkey lies dead on the table. Hank used to surf with him on his back. Hank has been on the road as a salesman and the monkey has been part of Dolores' sex show selling herself to tired businessmen. All this comes out over a candle-lit dinner—of monkey (it was cheaper to eat him than to bury him, and times are hard).

A deadpan little vet in violently *colourful leisure shirt:* beautifully played by Anthony O'Donnell drops by from the *zoo to pronounce the monkey* dead. When Hank is about to leave for Nebraska to sell Bibles, the vet *returns* with a suitable replacement—a Macedonian curly pig (or MCP for short). The pig is christened "Dog-duck," dressed in booties and bonnet, and has his head bitten off by an aggressive dog on the beach. Dolores's intimate way with animals is revealed to the vet in a blazing domestic row and she lands a job at the zoo, sitting in trees and talking to toothless giraffes.

Hank is by now a fully trained household pet, cooking the meals and banished from the table. Early days on the beach, with the monkey, are gone and the taunting Dolores cannot relate to the man without *his pet.*

Mr Darke's still evolving voice is expertly coaxed by Frances Barber and Bruce Alexander who play a cat-and-monkey game suspended ludicrously *somewhere* between Strindberg and Sam Shepard.

Miss Barber's melting *emotionalism* is part of a formidable comic technique, while Mr Alexander plays blank, befuddled and bewildered before rising to a ferocious outburst of psychopathic jealousy.

Alastair Muir

Frances Barber

Rich funds and spectacle at Avignon Festival

Although there is no mammoth production at Avignon this summer to match Peter Brook's Maharabhata, the Festival offers the visitor a rich variety of theatrical spectacle, audio-visual display and art exhibitions (for opera you have to go a little further south to Aix). This variety represents a considerable financial investment. The Avignon Festival is budgeted this year at a record FFr 22m (£3.14m). The town has contributed FFr 6m, a further FFr 7m will come from the box office, and the remainder from a combination of *national, regional* and commercial sources.

Such munificance, which the British visitor might well envy, has resulted in splendidly designed settings and costumes for the main productions in the courtyard of the Papal Palace and the cloisters of the monastery of the Carmelites. The grotto on Prospero's island has been graced with a ruined façade to echo that of the Avignon palace, the area in front of it sanded over, and surrounded by water, the winds adding a further touch of *realism* by sending ripples across it throughout the evening.

The choice of plays for performance on these sites in the first week makes for satisfying continuity with last year's productions and again underlines the international scope of the festival. In the palace there is Shakespeare translated into French prose, and in the cloisters another French prose *adaptation* from a verse original, Schiller's *Don Carlos.* Later there will be a *performance of a rarely seen* work by Hugo von Hofmannstahl under the title *Venise Sauvée.*

This adventurous programming, a refusal merely to stage revivals of standard works from the repertory of the French theatre, is proving to be immensely popular. Although there are not as many visitors to Avignon as last year, and hoteliers are bemoaning the absence of Americans, tickets for these productions are now almost impossible to obtain. The night I went to see *La Tempête* the capacity audience gave a standing ovation to the performance, directed by Alfredo Arias, in a co-production between the Centre Dramatique d'Aubervilliers and the Groupe TSE Festival d'Avignon. My own enjoyment was tempered by one or two reservations but nonetheless considerable.

It is interesting to see how sturdily the play still stands up when denuded of *the majestic* beauty of the original language. To be sure, Jean-Louis Curtis has made a workable, *speakable* adaptation, cutting out much of Prospero's prolixity, but not shirking the more celebrated passages. "Nous sommes de la même étoffe que nos songes," the old enchanter declaims. You lose one kind of poetry but you retain another, the *poésie de théâtre* which may animate a play in prose.

As a director, Arias is no mean illusionist. He opens with an ear-splitting storm off stage and, in the succeeding calm, sustains a balletic mood of enchantment, embellishing the action by a sequence of trompe l'oeil devices. Ariel has two look-alikes who bob up alternatingly from the opposite direction after she has made an exit. Both Ariel, in formal page-boy livery, and Caliban, covered in sack-cloth, a garb that echoes that of his master, are played by women. The French comedienne Marilú Marini undergoes a complete transformation as Caliban, turning into a horrible human animal with a raucous voice; Clotilde Mollet similarly desexes herself as Prospero's attendant spirit. Both performances are agile and effective.

Pierre Dux plays Prospero with a surprising lack of histrionics. Apart from a vengeful gleam of malice when he unleashes the tempest, his tone is docile, sorrowful and penitential, a St Jerome taming ferocity by his mere presence. Mirande (Magali Renoire), petite, ingénue, stays wholly under the rod of this patriachal discipline. Her infatuation with Bruno Wolkowitch's gentle Ferdinand appears to be masterminded by her father at each point. If no one really stands a chance against this Prospero, the drunken butler (Facundo Bo) and sycophantic jester (Alain Saloman), an able pair of drolls, are given an excessive amount of time for their tipsy antics, a parody of revolt, threatening to eclipse the conspirators.

Arias elicits some oddly disparate performances from this villainous group; best are the catatonic Alonso of Bernard Waver, numbed with shock at the apparent drowning of his son and the reasoning Gonzalo of Michel Robin. Chloé Obolensky's Italianate costumes give added definition to these clear-cut characters and stand out superbly against the ancient setting.

Even more drastic surgery was used by the director Michelle Marquais when she came to adapt Schiller's *Don Carlos* for her production with the Theatre de Ville. This massive drama, full of Shakespearean echoes yet a classic product of the 18th century enlightenment, can never be cut down to size; but it was made manageable within the frame of a single evening's performance and I was grateful for the rare opportunity to see it.

It contains sufficient material for three or four major tragedies. One turns on the relation between Don Carlos (Gerard Desarthe) and his stepmother Elizabeth de Valois (Marthe Keller) whom he loved before her marriage and still loves. Another arises from the repressive rule exerted by Philippe (Bernard Freeson) over both his empire and his court and the attempt by one member of it, the Marquis of Posa (Jean-Michel Dupuis), to effect the freedom of the Netherlands. Yet another from the love and rivalry between Carlos and Posa, joint heroes of the play . . . and so on.

Modern themes like women's liberation and political self-determination mingle with older ones of imperial rule and inquisition in a work that seems constantly to waver between costume drama and the theatre of ideas. Michelle Marquais' ambitious and rewarding production drew all these strands together by turning the cloisters of the Carmelites into a forest near Madrid where a royal hunting party is in progress and where the constant to-ing and fro-ing of these characters seemed to be part of a chase in which it was unclear who were the pursuers and who the quarry. What did become abundantly clear was the importance of this play.

Anthony Curtis

Continued from Page 12

improved third act: Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. *No child is known to have asked for* his money back. (834 6184).

42nd Street (Drury Lane): No British *equivalent has been found for New* York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been *rapturously* received. (836 8108).

Lennon (Astoria): A not too critical *celebration of the life and music of* John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

Are You Lonesome Tonight? (Phoenix): More musical hagiography with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has reached this pretty pass. Exploitative, but not strictly for tourists. (836 2294).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Elliot's children's poetry set to trendy *music is visually startling and* choreographically feline, but classic only in the sense of a rather staid *and overblown idea of theatricality.* (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but *also updated* the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some *tuneful* Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to *capture the feel of the sweet* and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the *strength of its word-of-mouth popu*larity for the two oldsters on Central Park benches who bicker uproar*iously about life past, present* and future, with a funny plot to match. (239 6200).

Big River (*O'Neill*): *Roger Miller's* music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music *and down-home country life with a* good beat and some memorable songs, especially one played on kit*chen utensils has proved to be a du*rable Chicago hit. (935 6100).

Swan Killer/Snape Maltings

B. A. Young

The East Anglia Project has mounted this elaborate produc*tion of David Drane's new play* from its own unsubsidised resources. They have certainly jumped in at the deep end with a play written for 70 characters *and containing such scenes* as the crash of a giant airship and the fall from the sky of an outsize overcoat.

To present this monumental piece the company has taken a barn at Snape Maltings. It is vast in area but its usefulness is reduced by a broken barrier that runs longitudinally down the centre. Action may occur at any point in this great space, not always accessibly to the rows of seats lining each side. There is a nostalgic hint of Mnouchkine's *1789 at Vincennes,* but it remains a hint.

The play around which this ambitious production is wrapped as unexpectedly as an overcoat from the sky, is a simple one that barely fulfils its obligations. Swan Killer (Dale Savage) son of a peasant family, decides to head for the city and *find a new life for himself.* On the journey he and his family, who accompany him part of the way, *encounter various fantastic* adventures.

Mr Drane offers no plot beyond this, the adventures provide material for the joint directors Adrian *Jackson* and Simon Usher but little commentary either on Swan Killer's journey or on contemporary society. Nor do they show much relevance to one another.

The family is robbed of its meagre possessions by a sinister Bird Scarer and two rogues whom we first meet looting the ruins of the airship, set up as fake dentists. A Harpy circles above the scene *crying* "swoop swoop birds' nest soup," but affecting no one. Sinister birds *including a swan join her in* the air. The overcoat drops from the skies when Swan Killer *wishes for one. There is* a satirical cabaret in a pub where Swan Killer and his un*accountable friend Sword Ham*mer (Tom Marshall) go for a meal but are never served. *No swans are killed but a flying* swan kills a girl by kissing her.

Finally Swan Killer, after *quitting the job he has found* himself, climbs to the rooftops and, now that we have followed his *progress for* over three hours, jumps to his death. The dialogue has little wit, passion or poetry that I could detect. Mr Drane is lucky to have attracted such hard-working interpreters of his work.

Rabindranath Tagore paintings

As part of the Tagore festival this year, the Barbican Art Gallery is holding an exhibition *of his paintings from* August 28 to October 5. The exhibition has been organised in Britain by the Museum of Modern Art, Oxford, and the Arts Council, and will tour the country until the end of May 1987.

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Sir Geoffrey's chances

"MY MISSION is not easy but it has a chance." So said Sir Geoffrey Howe, the British Foreign Secretary, in the House of Commons on Wednesday before setting off for talks on South Africa with Mr George Shultz, the US Secretary of State. There are several more stages of the mission to come. Sir Geoffrey will see Mr P. W. Botha, the South African President, twice before the end of the month. The British Government will then have to have a position to put to the meeting of a group of Commonwealth leaders in London at the beginning of August.

All sorts of other exchanges are taking place in the meantime. British emissaries have been in Australia, Japan and South Africa itself. Discussions within the European Community go on all the time. No less important, some of the Commonwealth members have been holding meetings of their own: the African front-line states, for example. Presumably some intensive thinking is also taking place in Pretoria.

It is the interplay of all these forces that matters. Can the world outside South Africa come together to persuade the South African Government to initiate the radical political changes that have so far been contemplated in Pretoria, but not implemented? How far will the rest of the world—the Commonwealth in particular—quarrel among itself while trying to bring about the reforms? And what happens if, in the end, the South African Government refuses to budge?

The broad conditions and the time-table were set out in Mrs Margaret Thatcher's statement to the House of Commons on July 1 after the meeting of the European Council in the Hague. The conditions include the unconditional release of Mr Nelson Mandela, the leader of the African National Congress, and other political prisoners, the lifting of the ban on the political parties, and the opening without delay of negotiations between the South African Government and the leaders of the black people in South Africa. In the event of non-compliance—a harsh word, but an accurate one — the European Community is committed to consider further action on sanctions by around the end of September and to hold discussions with other industrialised countries whose participation would be essential: the US and Japan, for instance.

In the past fortnight or so Mrs Thatcher has sometimes seemed to have relaxed from that position, putting more emphasis on her abhorrence of sanctions than on The Hague agreement. No doubt she had the perfectly honourable motive of *trying to preserve the unity* of the Conservative Party. Almost certainly she thinks that the *threat* of sanctions is likely to be more productive than sanctions themselves. Possibly she knows much more about the internal discussions of the South African Government than is public knowledge.

Sternest warning

Nevertheless, her statement of July 1 stands. It was confirmed emphatically by Sir Geoffrey in the South Africa debate on Wednesday. *If* his mission does not procure "tangible and substantial progress," the Foreign Secretary said, he "would regard agreement on some further measures to be necessary."

That is the British position. It is the European position. There is no reason why it should not be the American and the Japanese position. Indeed, the involvement of the US in the complex multilateral diplomacy over South Africa must be the sternest possible *warning to Pretoria*. It was US interests which took a lead in the disinvestment campaign, which set up the Sullivan code for giving better conditions to black workers, and it is the US Congress which is keeping up the pressure for change. It is almost inconceivable that the US would fail to comply with a European request for further sanctions. It might even ask for more.

None of that means that the whole course of future action must be settled at the Commonwealth meeting in two weeks' time. It would be extremely foolish if some Commonwealth leaders were to threaten to walk out just as what could be a coordinated programme is coming into being. It is already mildly irritating—and no help to the image of the Commonwealth in Britain—that some countries have withdrawn from the Commonwealth Games. The need now is for unity. There is a strategy and a timetable. It should be given a chance.

Common sense in cocoa market

REPORTS OF the death of the international commodity agreement would appear to be somewhat exaggerated. That much is clear from events this week in Geneva, where cocoa producing and consuming countries seem to have surprised even themselves by managing to agree on the essentials of a new five-year pact to stabilise cocoa prices.

After the painful demise of the International Tin Council last October and in view of difficulties in the agreements on coffee, sugar and natural rubber, few people were ready before last week to predict a successful outcome in talks on renewing the International Cocoa Agreement when it expires at *the end of September.*

In the event, however, the tin debacle appears to have provided some valuable lessons for the cocoa negotiations. The result is a victory of sorts for those industrialised countries — in particular the UK and West Germany—which have been demanding that commodity agreements, if they are to be concluded at all, should closely reflect overall market realities. But it is also a salutary development for the Third World cocoa producers, which have finally—*if grudgingly — acknowledged* that price stabilisation need not automatically be transformed into price support at inflated levels.

Cocoa has long been one of the most volatile of commodities—sensitive to the smallest of climatic and political upheavals. Both the producers in the developing world and many of the chocolate manufacturers in the developed world accept that excessive price volatility can be damaging.

But understandably, producing *and consuming countries* have always had the utmost difficulty in agreeing at what level prices should be stabilised.

Formidable competitor

As this week's cocoa talks seem to have demonstrated, there is no real substitute for the long-term market trend as a guide. The new agreement is more rooted in economic common sense than any of its predecessors or counterparts in other commodities, with the possible *exception of the current* rubber pact.

The range within which it is expected initially to keep cocoa prices—that is, the range fixed for its buffer stock operations—is not much out of line with the present market level.

Just as importantly, producing countries have bowed to *consumer pressure for regular* price adjustments which should ensure that the prices set under the agreement follow the long term market trend. They have also agreed that prices should be calculated in Special Drawing Rights—the International Monetary Fund's currency basket—which should help to counter exchange rate fluctuations.

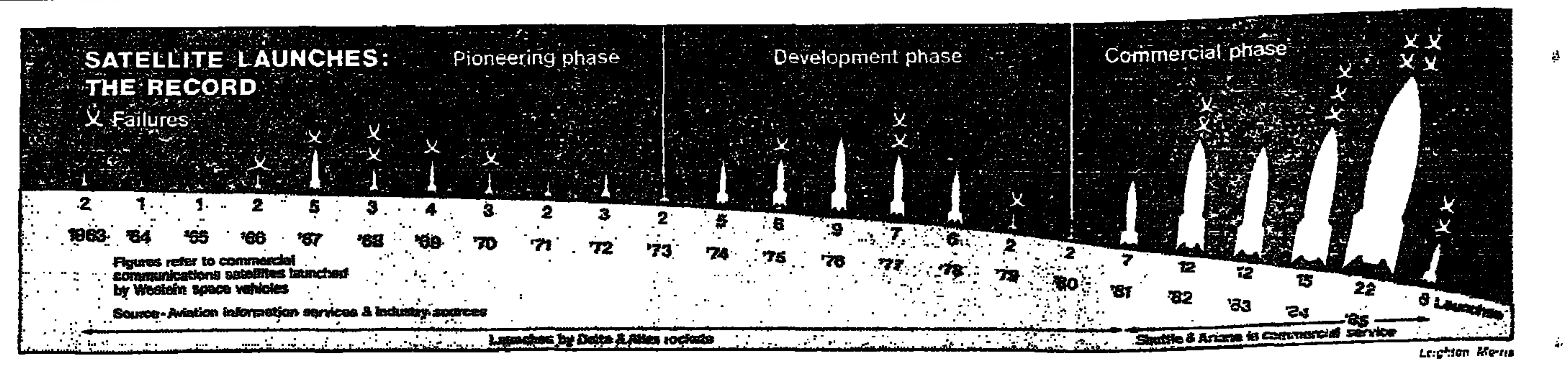
None of this was true of the late, unlamented, International Tin Agreement, which fixed and kept tin prices far too high.

Nevertheless, the outlook for the new cocoa pact is not entirely unclouded. For one thing, the biggest consumer—the US—has refused to join, and the fastest-expanding producer — Malaysia—is likewise conspicuous by its absence. Malaysia is already a formidable competitor in the world cocoa market, and plans to become the number one producer of the commodity by the end of the century; there are echoes here of another factor which led to the death of the tin agreement—the *pro*-absence from it of big producers such as Brazil and China.

Malaysia's ambitions, together with the technological advances which are bringing productivity gains, mean that there is an inherent tendency towards over production and declining prices in cocoa as in many other agricultural commodities. That spells eventual danger for a buffer stock with inevitably limited resources.

In the end, the achievement of a new cocoa pact is unlikely to usher in a fresh era of harmonious co-operation between commodity producers and consumers. Cocoa is a special commodity—produced, like rubber, by a relatively small group of developing countries and consumed in a separate and equally well-defined group of industrialised states. It is also a market of at least potentially manageable size.

It would be vain to hope that price stabilisation might eventually be brought to bear on the most volatile, valuable and important commodity of all today—oil—with its wide variety of producers and consumers and their wide diversity of interests.



Leighton Morris

In search of new missions

By Peter Marsh

IN INDIA and Indonesia, ambitious plans to bring new telecommunications and TV services to widely scattered communities are under threat.

In France and West Germany, TV stations face delays to the start of schemes to beam films and entertainment shows from space to roof-top aerials. And in the US, telecommunications companies are resigned to storing for up to a year a queue of $50m satellites which should already be in orbit generating income.

The Pentagon, meanwhile, is having nightmares thinking of possible accidents affecting the US's sole operational spy satellite that takes pictures of the Soviet Union. Should the craft seize up, the US would be unable to replace the vehicle, an event that could have dire repercussions in an international emergency.

All these events are consequences of the extraordinary paralysis of the West's space activities, caused by a run of failures with launch vehicles. Over the next year, the West will have difficulty putting into space more than a couple of satellites, compared to the 15-20 that are awaiting launch.

The US's space shuttles are grounded until 1988, pending modifications, as a result of a disastrous explosion in January aboard Challenger, one of the four-shuttle fleet. The explosion destroyed the craft and killed seven astronauts.

Flights of Ariane, Western Europe's satellite launcher, are suspended until next year while technicians attend to a problem in the rocket's third-stage motor which caused a launch failure at the end of May, the fifth fault in 18 Ariane missions.

Following two recent launch mishaps, a question mark also hangs over the Titan rocket, the US Air Force's mainstay for placing in space large military payloads. The delays in Titan flights could be lengthy, as the faults with the rocket appear to be related to the serious problems with solid-fuel boosters that caused the Challenger catastrophe.

In theory, the US could turn for satellite launches to the Delta and Atlas-Centaur rockets which the National Aeronautics and Space Administration and the Pentagon have operated for more than 20 years.

But Delta flights have been postponed following yet another recent misfiring. More important, only three Deltas and one Atlas-Centaur are available for launches over the next three years, a consequence of the 1970s decision (which now looks decidedly shortsighted) to run down the production lines for the rockets.

The most immediate impact is to delay the launch of 30 or so commercial communications and TV-broadcasting satellites, of combined capital cost approaching $1.5bn. These had been due to enter space over the next two years on either Ariane or the shuttle.

Satellite owners affected by the hold-up include communications companies such as Intelsat (the Washington-based body whichroutes international telephone calls), Western Union, GTE and Hughes Aircraft together with the governments of India, Australia, Indonesia, Sweden, France and West Germany.

So far this year, only three Western non-military communications satellites (for the Brazilian government and the RCA and GTE telecommunications companies) have left the Earth. Due to the launch suspensions, this is likely to remain the final tally for 1986, while the number placed in orbit in 1987 will probably be only slightly higher. In contrast, an average of a dozen such satellites a year entered space from 1982-85 (see diagram).

Fortunately for the US communications companies and for Intelsat, the large number of launches in recent years and less-than-expected growth in overall telecommunications traffic has left them with some spare satellite capacity.

The outlook is graver for countries such as Indonesia and India which were banking on the space shuttles to place in the heavens telecommunications satellites crucial to national plans for economic growth.

Of immediate concern to the West's space industry is that this year's mishaps seem part of a trend towards more launch failures which started around 1982.

Since 1963, Western launch vehicles have put 117 commercial communications satellites in orbit. There were a further 21 attempts at launches which failed.

Events since 1963 can be divided neatly into three phases. In the early days of the space age, when rides into space were mainly on behalf of Intelsat (the first organisation to operate routinely communications satellites), launches took place relatively infrequently, an average of about three a year.

During this pioneering phase, from 1963 to 1973, failures were fairly frequent. Only 22 of the 28 launch attempts succeeded—a fault rate of 21 per cent.

In the next development stage, from 1974 to 1980, launch attempts quickened, to roughly five a year, and the failure rate dropped to some 11 per cent.

The years 1981 to the present could be termed the commercial stage. The period was marked in 1981 by the first satellite launch by Ariane, a rocket not all that different to the Delta.

Ariane was developed using tried and tested 1960s technology by the 11-nation European Space Agency with the express aim of denting the US's monopoly in the West in space launchers. The rocket is now operated by Arianespace, a mainly private company in Paris whose largest shareholder is the French national space agency.

Columbia, the first US shuttle, took aloft its first communications satellite in 1982. Compared with Ariane, the shuttles are revolutionary — they are the first space vehicles which return to the Earth like aeroplanes and in which the engines that power the craft are recovered.

The commercial phase has been dominated by Ariane and the Nasa-operated shuttle fleet. Of the 62 commercial communications satellites deployed in this period, 23 have been lifted on the shuttle and 16 on Ariane, with Delta and Atlas accounting for the rest.

While launch attempts in the commercial period have climbed rapidy, the failure rate has been disappointing at 15 per cent. A snapshot view of 1984-86 produces a still more disturbing picture — 42 launch attempts and nine failure, a fault rate of 21 per cent.

There are two ways of looking at the recent accidents. The optimists say a run of mishaps was predictable, due to the entry of a new form of launch vehicle in the shape of Ariane and the shuttle. According to this view, the failures can be expected to decline over the next few years

An alternative view is that while Ariane and the shuttle introduced some novel features the West's space industries should really have been mature enough to cope. Without doubt, the problems with the shuttle boil down to a fundamental design fault with the vehicle's soldi-fuel boosters which should not have been overlooked.

In the case of Ariane, the fact that four of the five failures with the rocket since 1980 have involved the third-stage engine points to a design flaw in this mechanism. As the third-stage motor (which burns a high-thrust mixture of liquid hydrogen and liquid oxygen) is to be the basis of a high-power engine for a heavy-duty form of Ariane due to see service in the 1990s, the current delays could well hold up the development of the new rocket.

Probably the biggest problem for the US space programme concerns not technology but prestige

Looked at in the long term, the delays in Western space flights may accelerate moves by telecommunications authorities to downgrade plans for satellite networks in favour of systems using ground-based optical fibres.

Plans to build a US-led international space station in the 1990s are inevitably threatened by the loss in confidence in space activities, while the fledgeling space insurance industry is in tatters.

The main beneficiaries of the run of accidents may turn out to be China and Japan, which have grandiose plans for their space industries and could well be operating commercial launchers in the 1990s. The Soviet Union, also, has offered its successful Proton boosters as carriers for Western satellites

Assuming the technical problems over the Western launchers can be sorted out, space analysts generally agree that Arianespace is in a good position to continue more or less as before. The organisation is acknowledged to be strong technically, has good sales people and, importantly, has a single purpose, to win launch contracts.

The US launcher industry is, however, in a mess. The fundamental difficulty is the multiplicity of roles for the shuttle fleet. Only about half the total workload of the shuttles involves the ejection into orbit of commercial satellites for a fee. The vehicles also lift military and scientific payloads for the US Government and carry experiments operated by private companies to investigate novel enterprises—which could eventually be the basis for large-scale space factories—such as low-gravity materials processing.

With the queue of customers for the shuttle building up almost daily as the envisaged delay in flights lengthens, it has become clear that the jobs for the shuttle fleet must be cut down.

Hence the suggestion circulating in Washington that the shuttle should concentrate on military and scientific tasks, leaving the launch of commercial satellites to the Delta and Atlas-Centaur, once, that is, the production lines for these vehicles are restarted. Due to President Reagan's desire to see more private enterprise in space activities, these rockets are due to become the responsibility of two private companies, Transpace Carriers and General Dynamics.

Also in favour of this scheme is that conventional expendable rockets can put objects into space more cheaply than the shuttle — whose competitive commercial charges are made possible only by government subsidies.

The proposal looks promising—but has hidden flaws. Because of the production hold-ups, the rockets will be virtually inactive until around 1989—so ordering Nasa to stop transporting commercial satellites would hand to Arianespace almost all the Western world's launch business over the next two or three years.

Two other suggestions have surfaced, both of them radical. First, the US could initiate a crash programme, along the lines of the Manhattan project, to build enough conventional rockets such as Deltas or Titans to plug the gap in launchers until the shuttles are back in operation. This would be essentially a costly stop-gap measure

The second idea is that the US should concede, painfully, the commercial launch business for the next couple of years. It should prepare for the 1990s by building a new shuttle to replace Challenger and then transfer the job of operating the fleet for commercial launches from Nasa to a private concern.

A scheme along these lines has been mooted by General Space, a subsidiary of Maryland-based Astrotech International, which has offered to build a new shuttle for $2bn raised from Wall Street.

A private-sector space shuttle would not be flying for several years, but it could be the kind of dramatic gesture to restore momentum to the US space programme. Moreover, by introducing private enterprise to the US's shuttle operations, the move could be a prelude to the Government easing itself out of the space launch business altogether.

"It (General Space's plan) would be a step in the right direction," says Dr David Webb, a US space consultant and a member of the National Commission on Space, which in May produced a detailed blueprint for the country's extraterrestrial activities over the next 50 years, culminating in a manned trip to Mars.

Probably the biggest problem for the US space programme concerns not the esoterics of technology but prestige. The uncertainty over the country's extra-terrestrial ventures has damaged America's international standing. Dr Laurel Wilkening, a planetary scientist at the University of Arizona and another member of President Reagan's national space commission, points out that for the US not to seek a leadership role in space "would signal that it is changing its role in world politics."

Many are comparing today's difficulties with the launch of Sputnik in 1957. This illustrates the US's poor performance compared with the Soviet Union in space and galvanised the country into action — in the shape of the Apollo programem and the Moon landings.

"It seems," asserts Dr Wilkening, "that we (the US) often require a severe crisis before we get ourselves together. We are in that crisis now."

Fertility rites in Brussels

The European Community needs more babies, and the European Commission in Brussels is going to try to father the deed.

The fact is, the commission says, that the active population is not renewing itself quickly enough.

The commission, at once visionary and busybody, is gathering to itself the role of altering demographic trends. That comes about because it has been, as it explains, "reflecting" on social security.

So far the reflections have led it only as far as already well-known facts — the population is getting older, and there are fewer people around to earn the money to pay the taxes to keep the social security systems going in the way to which they have become accustomed.

By the end of the century the small rise in the community population compared with what is happening in the US, Japan, and the Soviet Union, means that the community share of the world's population will have slipped to 5.4 per cent from 6.2 per cent in 1984.

So the commission is proposing to launch some information campaigns to let people know exactly what is happening.

From that point on the whole matter become somewhat vague. No obvious Saatchi and Saatchi figure seems to have emerged from the ranks of the bureaucarcy *with a mission to inform.*

The official spokesman concedes that more children are, in fact, necessary for Europe.

Cautious though about the commission advocating, say, a community night of love to coincide with Schuman Day (celebrating the father of Europe) he added vaguely, "more children in the medium-term."

"The way things are going we'd better put the signwriter on stand-by"

Men and Matters

Off air

Richard Francis, aged 52, who recently abrutly departed from the BBC where he was managing director of radio, is to become the next director general of the British Council at a £55,000 salary. He will take over next year from Sir John Burgh, and will be only the sixth dg since the council was formed in 1934.

There were broad smiles among many of his old broadcasting friends at the news. Francis was a popular managing director at BBC Radio. Both he and his staff were upset at the rapidity of his going from the usually avuncular service.

It was Francis's devotion to the concept of a new central London radio headquarters for the BBC in Portland Place—opposite the original Broadcasting House which is now too old and too small—that was partly responsible for his leaving eight years before normal retiring age.

But already—just ten weeks after his going—the idea of a new broadcasting palace arising *in central London seems* academic.

The BBC had decided to sell the site—the old Langham Hotel, Portland Place—and is moving its entire radio operation went to White City.

Francis will be the first broadcaster to run the British Council. Previous dgs have been from the civil service, the army, and higher education. Financed mainly by a Foreign Office grant the council is responsible for promoting Britain overseas through teaching and cultural exchanges.

Democrat abroad

"Ive always been a Democrat. I started as a page boy for the Democratic Party in Congress at the age of 14. Then came Chicago University and Brasenose College, Oxford, on a Ford Foundation scholarship."

US lawyer Elliott Kulick who lives and works in London was talknig about his appointment to the board of the National Democratic Institute for International Affairs. He is the first overseas-based American to be appointed to the party's foreign policy-making "think tank."

Kulick, "now pushing 50," has returned from Washington to his base in London's Hampstead and his British-born wife, sculptor Barbara Kulick, to involve himself in the Democrats Abroad organisation, reporting on the mood of expatriate Americans as the clock ticks over to the November Senate elections—in which the Democrates need to win only four seats to gain control.

But his job in London will be longer-term. He will be fundraising for the next Democratic bid for the Presidency.

Ideas man

It is just short of a year since Michael Collins, aged 59, re*signed as a Reed International* Director, and chairman of Reed Building Products, after 22 years with the group, in order to organise a management buy-out of the £73m building pro*ducts business.*

Collins, who remains a non-executive director of the company—called Caradon—has now found a new outlet for his energies by joining the board of the British inventions company Inventalink.

Collins is no mean technical innovator himself. He was one of the pioneers of the use of plastics in the construction and civil engineering industry.

He formed his own company, London and Provincial Plastics, in 1955 and developed and marketed *many new products for* use in construction—notably plastic piping and plastic rainwater goods.

In 1963 his business was bought by Reed International and he stayed on with the Reed group.

Richard Paine, chairman of Inventalink, welcomed Collins' arrival on his board saying "Even today a substantial number of inventions we are asked to consider can only be brought about through the successful exploitation of plastics technologies."

Among other things Collins will advise Inventalink's Search service—the company undertakes to find new products or proven products in foreign markets for British manufacturers.

Artistic view

Liverpudlians have had a fraught year as their ruling party in local government, the Labour Party, has been systematically purged of Militant Tendency supporters by the national Labour Party.

The Tate Gallery, which is to open a northern section in Liverpool's Albert Dock complex in two years time, decided to help cheer everyone up with a foretaste of good things to come. It commissioned a giant canvas to be hung on the outside of the building.

But I'm not sure that the Scottish artist Steven Campbell's work will meet with wholehearted approval from political quarters. He calls it "An allegory on the theme of madness in modern civilisation."

Observer

THE COLLAPSE of last week's abortive armed coup against the fragile government of President Corazon Aquino is seen in Manila as a victory over loyalist supporters of the ousted Ferdinand Marcos. But there is little cause for comfort. The five-month-old Philippine administration has perhaps six months to steer the troubled country to salvation.

In that time Mrs Aquino must settle the nation's constitutional future, decide whether to return to an offensive strategy against Communist-led insurgents, and win a new debt-rescheduling arrangement with the country's creditors. The odds on success have barely improved in the past five months.

Failure could still lead to military intervention or to a slide into Communism.

This stark reality was perceptible when Mrs Aquino came to power on the back of a military revolt and massive demonstrations which followed last February's presidential election. But at that time the country's plight was easily blamed on Mr Marcos, whose autocratic rule had lasted 20 years.

Now those dramatic events are slipping into the past, and Mrs Aquino's ability to rule is being questioned. As the widow of assassinated opposition leader Benigno Aquino, she was the ideal candidate to unite fractious groups and topple Mr Marcos. She already has her place in history. But the question remains: Can she govern?

The verdict is still open. According to Mr George Shultz, the US Secretary of State, the outlook for the Government is bullish. In Manila the picture painted by politicians, officials, the military, bankers, businessmen and the press is very different.

They say Mrs Aquino, 53, is growing into the job but remains inexperienced and naive. She often looks uneasy. Despite her principles, she lacks a clear ideology and well-defined policies. Even when her mind is made up, she seems ready to tolerate open differences among her ministers.

On Wednesday she defended her handling of last week's failed coup. Her policy of a non-violent response to political challenges had been vindicated, she said.

At the same time she acknowledged that the involvement of military units in the affair indicated a lapse of intelligence and confirmed that it had led to a major row in the Cabinet. Meanwhile, the plotters remain unpunished.

From all accounts, personal, political and policy divisions within her cabinet run deep. Tales of corruption are already spreading. New "cronies" are emerging. The sense is of a return to traditional ways rather than of a "revolutionary" government.

President Aquino shakes confetti from her hair as Gen Ramos looks on, during a thanksgiving mass in Manila

Six months will tell...

By Chris Sherwell in Manila

The politicians in Mrs Aquino's team and outside appear to have their eyes fixed firmly on the elections scheduled to take place after a new constitution has been put to a plebiscite. That is due by the end of the year, provided the 50-member Constitutional Commission now arguing over it meets its end-of-August deadline. But that seems increasingly unlikely.

However, attention is already being focused on two important and highly charged issues.

● The continuing presence of the strategically-important US military bases after 1991, when *the current agreement between* the two countries expires. Calls for the removal of the bases may be defeated, but proposals to include in the constitution a declaration of the Philippines as a nuclear-free zone may not —and that could have *serious* implications for the US and South-East Asia.

● The country's restrictive foreign investment code. Though the Government says it wants increased foreign investment, the commission not only plans to retain the code in the constitution, but also talks of even tighter rules for foreign participation in certain sectors of the Philippine economy, like the notoriously *inefficient* telecommunications industry.

Apart from the question of whether the new constitution is ratified, itself a matter which will consume considerable political energy, Mrs Aquino also faces the problem of deciding whether there should be a presidential election and whether she can stand, given her commitment to a single term.

Already there is a visible jockeying for position among Mrs Aquino's allies. Mr Salvador Laurel, her Vice President and Foreign Minister, heads a well-organised coalition known as Unido. Her own brother, Mr Jose Cojuangco, a key figure behind the scenes, heads one wing of the PDP-Laban party. The other is led by Mr Aquilino Pimentel, her Local Government Minister.

Another politician, Mr Jovito Salonga, heads the Presidential Commission on Good Government and the Liberal Party. The powerful commission has sequestered the assets of scores *of corporations with links to* Mr Marcos—another factor damaging outside confidence.

Mr Juan Ponce Enrile, the *Minister of Defence who joined* General Fidel Ramos, the military chief, to lead the February revolt against Mr *Marcos, remains* the *most powerful* political figure in the Cabinet.

Left-leaning Cabinet members who *for* years opposed Mr Marcos still have considerable trouble recognising Mr Enrile's role in installing them in power, although Mrs Aquino appears now to appreciate his value. He is meanwhile strengthening his support in his home province of Cagayan and among the military, and his friends running the Nacionalista Party nationwide.

Other old Marcos figures remain important even though Mr Marcos himself is now confirmed as a man of the past. But at the other end of the spectrum is the other major factor affecting stability and confidence—the guerrilla insurgency and its impact on *morale in the* military.

Official US and Philippine estimates agree that both morale and internal security are deteriorating rather than improving as the Communists try to take advantage of the uncertainty. This view is reinforced by the existence of warlords with private armies, by kidnappings and killings, and by the separate problem of a Moslem insurgency in the south.

Last month Mr Richard Armitage, the US Assistant Secretary of Defence, testified before Congress that there were 22,500 armed troops in the New People's Army (NPA), the Communist Party's military wing, and *15,000 support* personnel. This number is significantly higher than the figure of 16,500 previously used.

At *the same time* Gen Ramos acknowledged that close to one-fifth of the country's 41,600 local village units were infiltrated *or* influenced by the Communists. He also said an average of 11 people a day were dying in violent incidents involving the NPA and the army.

Though loyal to President Aquino and in favour of a political solution to the problem, Mr Enrile and Gen Ramos are thought to be unhappy with the "defensive posture" she has ordered while preparations are made for peace talks which might produce a cease-fire with the Communists.

On top of this two presidential commissions are watching the military closely. An "anti-graft" agency, part of the Good Government Commission, will deal with officers who have enriched themselves. The Commission on Human Rights is determined to expose military abuses in the field.

Such is the inheritance from Mr Marcos. But officers ask whether it is fair to release Communist Party detainees, to offer a ceasefire to insurgents and overlook guerrilla atrocities. This underlines the need *for Mrs Aquino to set a deadline* for her reconciliation policy to show results. Most say this cannot go beyond the end of the year.

For its part the Communist Party appears to be deliberately delaying the start of even preliminary ceasefire talks. Its spokesmen have demanded a coalition government, something Mrs Aquino has refused, but it believes events will go its way anyway because of a relentless deterioration in the economy.

This lends considerable urgency to the critical talks with the International Monetary Fund which began this week on the terms of an 18-month stand-by credit of up to SDRs 615m. Hinging on the agreement is the prospect of a fresh deal for the Philippines with its 450-odd commercial creditor banks.

The Government has not helped its cause by talking of "selective repudiation" of its $26.3bn external debt, nor by saying it will pay only according to its ability. It has also indicated that it wants improved margins and repayment periods from its lenders.

Some of this may be posturing, and it reflects understandable bitterness at the banks' heavy lending to the Marcos regime. Mr John Reed, head of Citibank in the US, warned firmly against repudiation when he visited Manila last week.

As with the constitution and ceasefire talks, the critical time seems to be the end of the year, when the current rescheduling arrangement with the banks expires and the Philippine moratorium on debt principal repayments, in place since October 1983, is due to end.

That said, Mrs Aquino's economic technocrats, led by Mr Jaime Ongpin, Finance *Minister*, and *Mr Jose* Fernandez, Central Bank Governor, seem to be moving in the right direction. They appear committed to tax reforms to raise revenues, a reduction in import tariffs to improve competitiveness, the restructuring of troubled government banks, action on the bulging budget deficit and perhaps a freer float of the peso.

They also seem committed to a greater role for market forces and a stronger emphasis on rural development. In all this the Government needs help, and *Western infusions of aid or even* loans will not be enough.

Above all, the Philippines must help itself grow up. At one moment its leaders give the impression that the world owes the country a living. At others they display a short-sighted nationalistic streak.

Mrs Aquino herself also needs to clarify her policies and put her authority more strongly behind them. Currently her (unelected) cabinet ministers are publicly divided on some key issues.

For all of that, Mr Shultz is *optimistic, or at least*, as he put it when he visited Manila last month for the second time in just a few weeks, he is even more bullish about the Philippines than before. Most visitors to Manila—including those who appreciate the rotten hand it has been dealt—find that hard to believe. But they hope he will be right by the end of the year. Otherwise, it might be too late.

Lombard

St Bernard and the Old Lady

By John Plender

OH, TO HAVE been a fly on the wall at Monday's meeting between the Governor of the Bank of England and Mr Ernest Saunders of Guinness. The notion of the urbane and unfailingly courteous Mr Robin Leigh - Pemberton giving a wigging to the hard-bitten industrialist has a splendidly old-world appeal: Gilray would have made an excellent cartoon of it.

To anyone outside the City of London, however, the dynamics of the encounter might be a little hard to grasp. Mr Saunders's transgression consisted of seeking to renege on a promise made during Guinness's *bid for Distillers to* appoint several named non-executive directors to a holding company board to be chaired by Sir Thomas Risk, Governor of the Bank of Scotland. Why should that prompt a central banker to carpet an industrialist? And is there any reason for the industrialist to listen?

The answer to this is partly technical. Had Mr Saunders made his promise in a prospectus, he would have found himself confronting officials from the Department of Trade; *they would have been con*cerned about compliance with the Companies Act provisions on prospectuses. Instead the promise was made in a formal offer document. The relevant authorities here are self-regulatory: the Stock Exchange and the Takeover Panel. Behind both, as whipper-in of last resort, stands the Bank of England.

Concern

The readiness of the Gover*nor himself* to *step* in *does*, however, reflect the Bank's wider concern about the reputation of the City, which has been under constant attack in Westminster following scandals at Lloyd's and Johnson Matthey Bankers. For where the Old Lady differs from most other central banks is in doubling up as a trade association for the Square Mile. Ensuring high standards of behaviour is perceived, in Threadneedle Street, as part and parcel of promoting the City interest.

Combining this role with the key tasks of implementing monetary policy and supervising the banking system has always involved a potential conflict of interest. There is something inherently implausible about a watchdog with a barrel round its neck. It also looks anachronistic when the Bank is trying to project a tougher image in today's liberalised markets. Only recently the Deputy Governor seemed to be telling the financial community that the days of winks, nods and friendly chats were over.

Changes

As for the industrialists, it is becoming much harder for the Old Lady to act as a guardian of corporate morals. In the pre-1979 days of exchange controls the Bank's officials enjoyed huge administrative discretion over the corporate sector's ability to move funds across national boundaries. So powerful was this lever that no *British-based multinational* could afford to ignore the Bank's views.

Not so today. In the case *of Guinness, the Bank's chief* sanction was against Guinness's financial advisers. Mr Saunders was admittedly put under some pressure and agreed to hold a meeting to approve his board changes, though he would have had to call one anyway under the company's articles.

But what if he had been asked for concessions that he found unacceptable? The traditional threat of "withdrawing the facilities of the City" has been rendered hollow by the internationalisation of markets. New York would love Guinness's business, as would other financial centres.

It follows that the Bank's promotional activities will sooner or later attract egg to its face. City folk increasingly do their own lobbying anyway. Perhaps the time has come for the Bank to junk its trade association role and to concentrate on the real job of central banking.

Letters to the Editor

Efficient energy

From Mr P. Watts

Sir,—*Dr* Brookes (*July* 14) has dealt with the US aspects of the arguments used by Mr Olivier (July 9) in proposing energy efficiency as an alternative to nuclear power.

Such proposals were much canvassed at the *public* inquiry into the Central Electricity Generating Board's proposal for a pressurised water reactor at Sizewell. We are currently awaiting the inspector's report on the proposal, but in the *meantime it would be proper to* remind Mr Olivier of some relevant evidence heard by the inspector.

The CEGB established that it had made substantial allowances for improvements in thermal efficiency. For example, in its "central" set of forecasts it estimated that by 2000 there would be a 30 per cent reduction in the average consumption of electricity per domestic appliance. In more general terms it had assumed that the country would save 80 Mtce by the year 2000 (nearly a quarter of total requirements) by reducing the energy input per unit of output.

Greater London Council put up proposals which envisaged spending roughly the cost of Sizewell B on domestic energy conservation but agreed this would reduce annual peak demand by only 208 Mw, as compared with Sizewell B's 1155 Mw.

The Council for the Protection of Rural England produced proposals for subsidising more efficient use of electricity. It considered that at a cost equivalent to that of Sizewell B spread over 16 years it would be possible to reduce system peak in 2000 by 3,800 Mw, equivalent to 3 PWRs. While CEGB did not accept the calculations or what it considered *to be the* cross-subsidisation involved it did point out that 3,800 Mw was barely a third of the new capacity needed by then.

The CEGB showed that it did already sell load reduction, or what Mr Olivier calls negative "megawatts," in the form of load management, which can currently remove at peak roughly the equivalent of Sizewell B—but it also pointed out that load management becomes less attractive to industry with the *forecast* improvement in load factor. Incidentally the CEGB went down this route 20 years before it was practised in the US.

The CEGB is counting on considerable improvements in the conservation of energy (and on the development of renewable sources of energy to which Mr Oliver also refers). But it still needs Sizewell B to meet future demand and to help reduce costs.

P. E. Watts
(Economic Adviser).
CEGB,
15 Newgate Street, EC1.

Representation and taxation

From Mr A. Kirkby

Sir,—Your report (July 12) that Mr Tebbit has written to 100,000 British expatriates urging them to register for a vote in their home UK constituencies draws attention to an unsatisfactory feature of the Representation of People Act 1985. Most expatriates quite understandably accumulate their overseas earnings in Jersey, *Geneva* or *elsewhere*, with a view to keeping out of the UK Inland Revenue tax net. It seems wrong to me that in such circumstances such people should have a say in the choosing of the next Parliament.

The cry used to be "no taxation without representation." Now I think that we should be asking for "no representation without taxation."

I would suggest that the next Government should consider an amendment to the 1985 Act to admit to the UK electoral register only those British expatriates who submit themselves to the UK fiscal regime. Would that not be fair?

Andrew Kirkby.
7 Riverside Court,
Colleton Crescent,
Exeter, Devon.

Solihull's status

From Mrs B. Lister

Sir,—Please do not let Arthur Smith loose in the Midlands again before the dust has settled in Solihull. The residents will kill him stone dead if they read (July 12) that Solihull is a traditionally fashionable part of Birmingham.

It has never been a part of the Holy City and is a community in its own right, separated by Shirley at the city boundary by Hall Green.

During the last war, Birming*ham people were insulted by* the letters from Shirley residents published in the Birmingham Mail, describing us as slums. They were not however, averse to Birmingham men spilling their blood in their defence.

I was born in Moseley and lived within a stones throw of the house where the family of Edith Holden, (Diary of an Edwardian Lady, fame.) had lived. It was very select in those days, even the verger of the parish church St Mary's wanted to know what the wages of my father were when my mother went to arrange my Christening. Considering this to be impertinent and irrelevant, she hurried away and arranged the baptism elsewhere.

(Mrs) B. Lister,
66, Rectory Road,
Worthing, Sussex.

Banking charges

From Mr D. Broome

Sir,—John Edwards' article of July 12 issue was helpful as far as it went, but to those fortunate few who do not rely on banks to lend them money, our own experience might be useful.

Having been pinpricked beyond bearing by the arbitrary charging of our bank on both our business and on our personal accounts, the first move *was to close our business* account and transfer the paying in to a building society. As our Company invoices in relatively large amounts, and remittances are almost all by cheque, this is no problem. Payments to suppliers and others are handled through our personal account which attracts no charges, and as many purchases as possible are done on credit card or by monthly account, again cutting down the number of attractions. Credit card accounts are of course paid promptly to avoid interest charges.

By these means, the business attracts no transaction charges at all, and earns a bit of *interest on the BS account*. Personal and business accounts are reconciled once a month by ledger, and a cheque drawn on *the building society to* reimburse our personal account. Large cheques for the business can of course be met directly *from the BS.*

Talking to other smaller business people, I am amazed that so few have tumbled to *this wheeze*, and while I recognise that too many are in substantial hock to the banks, and have thus given hostages to *fortune. it only seems right for* those of us with the muscle to exercise it in this way. We have pulled the forelock to the banks for too long, and they certainly do not appear to value *net depositors* as they should, either on personal or on business accounts. Three per cent notional interest on a current account, with a top limit of charges is a calculated insult to the ability of a businessman to manage his cash!

To those unfortunate who just have to have an account with a bank, I would still recommend *that transaction charges should* be kept to a minimum by the maximum use of personal accounts.

Derek H. Broome.
Potters' End,
Mears Ashby,
Northampton.

Too noisy travels

From Mr R. Ledingham

Sir,—Mr Street's desire (July 10), to ban in-flight movies, music and smoking on-board airliners can be viewed as being somewhat intolerant.

It probably has occured to airlines that some people like *a nap, which is why the sound*track and other entertainment is provided, for those that want it, on headphones. It is possible to ignore a film being shown. Only once have I felt that the screen was a distraction; when an American airline, which shall remain nameless, selected "The Buddy Holly story," as a suitable inflight movie. Presumably it couldn't get the Glen Miller *story*.

More than one European airline "has had the courage," to ban passengers who smoke, *but they found that* they lost a lot more smokers than the non-smokers they gained. They concluded that as they were in the travel rather than the social engineering business, they would revert to having segregated smoking areas, in order to appeal to the most passengers.

Having the smoking section "at the back," is not necessarily appropriate. Unlike a single deck bus, most airliners are pressurised, and the cabin air changes frequently (as quickly as once every 1½ *minutes*). *The siting of smok*ing sections should thus take into account the ducting to the cabin air dump valves.

This leaves us with the landing and take-off music which, with one exception, I presume to be designed to calm and *soothe those of us* who feel a bit tense at such times. I hope that the airlines keep it and that Mr Street gains some relief when Stolport opens.

The one exception is Qantas which, on one occasion that I flew with it, struck up a stir*ring rendition of the* National Anthem as the main wheels touched Australian tarmac, I hope that British Airways *doesn't follow suit*; the thought of an aircraft doing 120 knots down 28 left, reverse thrust, full braking for an early turn-*off* and *half* the *passengers* trying to stand because they are playing "God Save The Queen," is a bit alarming.

R. A. Ledingham.
Rose View,
Main Street, Hethe, Oxon.

FINANCIAL TIMES
Friday July 18 1986

Lavish spending is directed by politics, writes **Carla Rapoport**

Japan's bridges to nowhere much

JAPAN does not have the reputation of being a big spender. The notion of urban planning, for example, appears to be next to non-existent in Japan, with almost any town in the country looking just like any other – an urban confusion of houses, cars and unattractive office blocks.

In recent months, the rest of the world has been stepping up its pressure on Japan to spend more – to build more sewers and roads and parks – and thereby stimulate its economy through domestic growth, not exports.

In fact, as a trip a few hours out of Tokyo will show, the Japanese do know how to spend money and they can do so lavishly.

Shikoku, one of Japan's four main islands, is among the country's least developed areas, a Japanese equivalent to the American Deep South, say, 20 years ago. Sparsely populated by Japanese standards, Shikoku's semi-tropical climate lends itself to agriculture and fishing and little else. None the less, Shikoku is soon to be the beneficiary of one of the most ambitious civil engineering projects Japan has ever undertaken.

In the course of the next five to 10 years, Shikoku is to be connected to Japan's main island of Honshu by $20.5bn worth of bridges, including the world's longest suspension bridge and 16 other smaller bridges which will form three major chains.

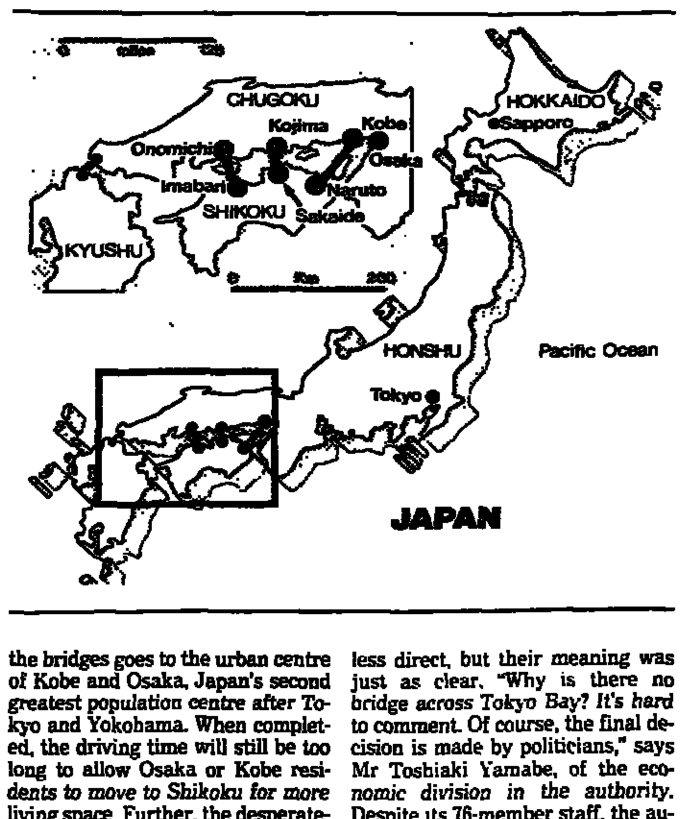
The project, which will absorb 34m days of labour before it is completed, is the biggest project of its kind anywhere in the world. The bridges are being built to withstand typhoons and earthquakes, and at least one will be able to accommodate Japan's bullet train, as well as ordinary express trains.

But three bridge links for an island of 4m people, less than 3 per cent of Japan's population, seems even to the casual visitor to be slightly excessive.

As the map shows, only one of the bridges goes to the urban centre of Kobe and Osaka, Japan's second greatest population centre after Tokyo and Yokohama. When completed, the driving time will still be too long to allow Osaka or Kobe residents to move to Shikoku for more living space. Further, the desperately needed bridge across Tokyo Bay, which would link Japan's largest city to the lesser developed prefecture of Chiba, is still only in the planning stages.

"It's politics," says Mr Robert Burghart, a director at W. I. Carr in Tokyo. As Mr Burghart and other long-time Japan residents point out, Shikoku is the home of two former prime ministers, Mr Takeo Miki and Mr Masayoshi Ohira, and, in the pork-barrel tradition of Japanese politics, Diet members look after their home territory.

At the Honshu-Shikoku Bridge Authority in Tokyo, officials were less direct, but their meaning was just as clear. "Why is there no bridge across Tokyo Bay? It's hard to comment. Of course, the final decision is made by politicians," says Mr Toshiaki Yamabe, of the economic division in the authority. Despite its 76-member staff, the authority could not provide any plans for development of Shikoku, following the bridges' completion.



Not surprisingly, Shikoku offers other examples of generous government incentives. At Nio, on the north-west coast, for example, scientists are working on a project to extract uranium from sea water. At a recent tour of the plant, Mr Yoshimi Mizuhara, the director, was himself highly uncertain about the economic feasibility of the current experiment.

Uranium is used in the production of nuclear energy. Japan's current requirements are about 6,600 tonnes a year. The current experiment, which will cost about $20m, will produce 10kg of the mineral.

Foreign scientists scratch their heads over the Nio project – UK scientists came across a method for extracting uranium from sea water two decades ago but discarded it because of its high cost. The plant, in fact, is built on the site of a failed solar energy site. "The local mayor is very encouraging. We pay no rent on the land, nor any taxes," one of the officials explained.

"We are not sure we will make a profit, but Japan does not have any natural resources, so the Government may decide to go ahead and expand this project anyway," said Mr Mizuhara.

Just over an hour's drive from the Nio plant is the Tadatsu Engineering Laboratory, which houses a $328m earthquake testing facility for nuclear energy equipment. Scientists at this plant insist quite plainly that the facility is largely a public relations exercise, aimed at calming the public's fears about the safety of nuclear energy.

A senior engineer at the facility said that the tests only serve to duplicate computer simulations of the effects of an earthquake on nuclear facilities. So far, all the tests have supported the findings of the computer models exactly. Still, the testing goes on, and when its current schedule is completed later this decade, the centre may be opened up to foreign scientists interested in testing their equipment.

Meanwhile, nearby in Tadotsu, the Tadotsu Seaside Hotel opened earlier this year. Built in the shape of a church, its white and pink lobby is linked to a bridal salon where gowns and gifts are on display. The hotel's small rooms, however, look out on the town's grimy waterfront. One could hardly imagine a less inviting spot for holidaymaking. But the island of Shikoku is clearly gearing up for boom times, thanks to its new bridges.

Why cork is still popping up all over the world

By Diana Smith in Lisbon

THE JAPANESE use it for ping pong bats, Swedes use it to insulate their houses from icy winters. US space shuttles are lined with it and Californians use it to decorate their kitchens. Some German manufacturers still use it to make the bearings on ballpoint pens. It is indispensable for a critical bracket in the engine of anyone's car.

And anyone who opens a bottle of good wine must deal with it before he gets down to serious drinking.

In short, cork pops up in expected and unexpected places.

To the surprise of those who, as children, loved an illustration in "Ferdinand the Bull" of Ferdinand dozing under a tree growing strung corks shaped like bottle stoppers, cork in its natural state does not look like a cork.

It gets to look like a cork when a muscular Portuguese manual labourer handpunches thousands of stoppers a day. Before then, it is the stuff excrescence is made of.

July is cork stripping time in the Alentejo. Perched among the branches or leaning against the thick trunks in the fierce midday sun, men wield their small hatchets cutting neat seams and swiftly peel of the thick, crusty sweaty excrescence of trees that the Arabs called alcorque.

All over the huge Alentejo province in the south, where the soil is often arid and mediocre, cork trees proliferate. The worse and drier the soil, the more the tree – a member of the oak family – loves it.

While humans and crops wilt in blistering summer temperatures of 35 degrees centigrade or more, the silvery-green leaved trees excrete their valuable bark peacefully, taking nine years after each stripping to attain a new, satisfactory thickness of cork, and, yielding, albeit with declining quality with each stripping, over 200 to 250 years.

Natural and spontaneous reproduction takes care of the perpetration of cork groves, and, in the Alentejo, generations of pigs, sheep and turkeys thrive on the nutritious acorns that drop from the branches.

"My sheep love these acorns," says Mariano Tavares, an energetic 38-year-old whose Alentejo groves yield 2,000 tonnes of cork a year, and who has a thousand or so sheep as a sideline.

From the cork groves of Herdade da Pouca Farinha – "farm of next to no flour," the name given the property long ago by some previous owner who presumably never managed to grow wheat from its parched soil – the bark goes to the Tavares family cork factory near Lisbon to dry out until no cell has a trace of the mucus that would make wine taste foul if an improperly dried cork were placed in the bottle.

After the large strips of bark have dried for up to a year they are soaked in boiling water to bond cells tightly, then smoothed and put on the market at home or abroad. Much of the Tavares family semi-finished cork goes to Argentina to be made into stoppers for the fruity Argentine wines or to Japan to make ping pong bats.

Cork is a family tradition in Portugal. Production shifted southward from the arid landes of France where pine forests have supplanted cork groves of past centuries, to Catalonia, where it is now less economical because of rising labour costs, then to Portugal where Catalans and British pioneers like the Reynolds family grew and semi-finished cork earlier this century.

Portugal has a competitive edge on other producers like Spain, Morocco or Algeria because labour costs are low and quality is kept high by a ban on stripping more than every nine years. Algeria lost its impetus after cork trees became public property and were stripped too often.

There are 48 qualities of cork, graded for stoppers, industrial or decorative use. Quality varies from tree to tree in the same grove.

Cork must be stripped by hand: no mechanical device copes accurately with variations of thickness and angles of trunks. Skilled strippers now earn ES 11,000 (£74) for a five day 40-hour week, if they strip on Saturdays and Sundays too, they make ES 3,000 a day for the weekend – reasonable for low-paying Portugal.

In 1985, Portugal earned $198m from exports of cork, a commodity obtained through a massive insult to a tree which nevertheless recovers from the ordeal and delivers 30 to 50 kg of cork with each stripping.

As hatchet blows ring through parched cork groves, thousands of people around the world are drawing wine corks. Some may wonder why they have to strain over a recalcitrant corkscrew when plastic is readily available. Wine, French bottlers have demonstrated, will not age under plastic stoppers. So alcorque will not vanish from the Alentejo while men and women have a taste for expensive alcohol.

THE LEX COLUMN

Cold steel for LTV

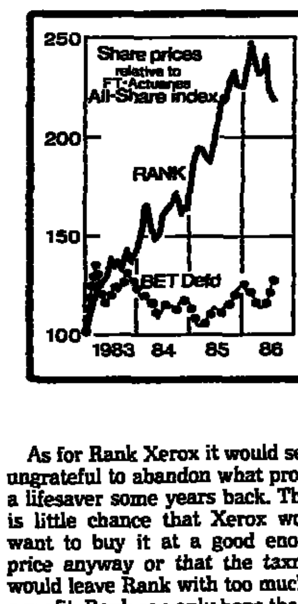
LTV's excursion to the bankruptcy courts for Chapter 11 protection is a horrible warning of the dangers of corporate agglomeration in declining industries. The merger with Republic Steel in 1984, instead of handing LTV market power in time for an economic upturn merely landed it with a further burden of debt and unfunded pension liabilities: the damaging price war with US Steel last year and the collapse of the market for tubes to drill for cheap oil did not help.

What actually triggered yesterday's filing – covenants on debt instruments, a revolt by suppliers or the looming pension payments – does not really matter. Having been forced to sell its special steels business, drained its viable aerospace division and been unable to make steel price rises stick, LTV simply did not have the cash to meet interest and pension costs while its balance-sheet has progressively deteriorated. It would be ironical if the decline in imports already evident this year were to permit price rises and a breathing space for the likes of Bethlehem and Armco.

Rank Organisation

No longer new, Rank Organisation's management is still doing a good job on its part of the business. Yesterday's interim figures, to mid-May, showed pre-tax profits from the part it runs up 35 per cent. Rank Xerox, which Rank can influence only through the boardroom, added just 5 per cent to its share. As a result the growth in group profits of 12 per cent to £70.2m looks workmanlike rather than glamorous.

The managed business is demonstrating just what a wonderful thing operational gearing is. Quite a few million spent on evicting the fleas from the fleapits and turning hi-de-hi holiday camps into theme parks with rooms, allows both volumes and prices to rise at once. It has worked the other way in London hotels, where a 14 per cent rise in room rates is little recompense for occupancy rates down by 9 per cent. Rank is spending freely on acquisitions as well, aside from the not very carefully calculated risk of bidding for Granada. That adventure leaves Rank with a £9.8m below-the-line cost and a £35m investment earning a low yield and showing a book loss.



As for Rank Xerox it would seem ungrateful to abandon what proved a lifesaver some years back. There is little chance that Xerox would want to buy it at a good enough price anyway or that the taxman would leave Rank with too much of a profit. Rank can only hope that its own efforts to increase profits will make up for less exciting progress there.

Now that all the spare assets have been sold, Rank will have to earn its spending money. This year gearing will rise from single figures to around 25 per cent – equivalent to 50 per cent in the managed businesses balance sheet. Despite higher interest charges, pre-tax profits should reach £165m against £137m giving a multiple of 12 on the shares unchanged at 510p. The Granada-inspired fall in the shares is looking overdone.

BET

Despite BET's success in its three year plan to bring some semblance of harmony to what was one of the most disparate set of businesses to labour under a single quote, the share price performance over the period has hardly accorded much recognition. So yesterday's 13p rise to 453p may represent some consolation. In truth the pre-tax profits of almost £125m were bang in line with the market's predictions – close attention to investor relations has been an integral part of the BET management effort.

It was the surprisingly low tax bill which caused the shares to twitch into life, and not the profits. It appears that tax management is the latest BET wheeze to generate better earnings per share, and since the scant growth at this level has been the main case for the prosecution, the judges in the City are not disposed to argue with the methods if success at the bottom line finally emerges.

The question for the future is whether BET can continue to generate earnings per share growth while favouring a strategy of acquiring businesses with its own not particularly highly rated paper. With year end gearing rising from 38 per cent to 65 per cent, paying with cash does not look like an alternative. In retort BET can point to the way in which it walked away from SGB with a dealing profit after a higher bid emerged. If it can make £150m pre tax this year, then the shares are on a multiple not much higher than 11, still leaving something on the table for more experienced churners of businesses.

Airports

Yesterday's first set of historic cost accounts from the British Airports Authority shows a business growing at the sort of healthy rate that would ensure, all other things being equal, a successful sale to the public. Pre-tax profits were up 17 per cent at £122m, despite a real decline in landing charges which will inevitably be part of the post-privatisation regulatory framework a la British Gas. However, it is the current-cost accounts which show what fun it is to run a tax-concession for a captive clientele: commercial profits from Heathrow alone were £70m, mostly from concessions to sell duty-free goods to imprisoned and fretting passengers. This was nearly three times the loss on actually moving passengers and their aircraft about.

The dip in traffic so far this year on North Atlantic routes is a reminder that growth will be fairly bumpy year on year, but the long-run trend is very nicely on the upward and there are pleasantly few worries about competition. Once private, BAA can develop its land bank for the kind of out-of-town shopping that multiple retailers dream of. Given the heavy cost of replacing assets exposed to such wear and tear, the current cost earnings are a fairly realistic measure but even on a market multiple of these, BAA could fetch the Government £600m-odd.

UK equity market makers set to double

BY BARRY RILEY IN LONDON

A SHARP increase in the number of market makers trading in leading UK equities after Big Bang on October 27 is indicated by a provisional list of 35 market-making firms issued by the London Stock Exchange.

On average, 16 firms will be competing for business in each of the 62 "alpha" stocks which will form the top trading tier of the exchange's new screen-based Seaq system. These 62 stocks accounted for 47 per cent of London exchange trading in UK-listed equities in the first half of 1986, and they represent 55 per cent of the UK equity market capitalisation.

At present, only some 17 jobbers, several of them very small, trade in equities. Some of the biggest stocks, such as British Telecom or ICI, are dealt in by a dozen or so jobbers, but it appears that when the new system comes into effect on October 27 the number of competing market makers for the typical alpha stock will be around double the present figure.

The list of 35 firms includes three which are not at present either jobbing or broking member firms of the Stock Exchange. They are Goldman Sachs, the leading US investment bank, Robert Fleming, the London merchant bank, and Deltec Securities, a firm of licensed dealers.

The list is only provisional. Several other prospective market makers are thought to have ordered the equipment and facilities needed to trade through the Seaq system in time for Big Bang, but have not yet finally committed themselves.

There is also still plenty of time for the 35 declared contenders to change their minds about individual stocks, according to the level of competition that they expect.

There is no restriction on firms registering at a late stage, but there is a technical constraint in that it is probably now too late to order the required electronic equipment and install it in time for October 27.

However, there are understood to be a few firms which have placed orders for the technical facilities but have not formally committed themselves as market makers. These may include US securities firms which are still keeping their options open.

The Stock Exchange says that the list of 62 alpha stocks will be expanded as soon as possible. They have been selected on the basis of turnover, market capitalisation, the number of market makers and the number of shareholders.

There will also be several hundred beta stocks, subject to less onerous disclosure requirements on the Seaq system, and more than 1,000 gamma stocks, where prices on the screen will only be indicative rather than representing a firm commitment to deal in the price and quantity stated.

The full list of London Stock Exchange equity market makers after October 27 comprises:

Aitken Campbell, Akroyd & Smithers, Capel-Cure, Cazenove, Chase Manhattan Securities, County Bisgood, Deltec Securities, FHF Market Makers, Goldman Sachs, Greenwell Montagu.

Helbert Wagg, Hichens Harrison, Hoare Govett, Jacobson Townsley, S. Jenkins, Kitcat & Aitken, Kleinwort Grieveson, Laing & Cruickshank, R. A. McLean.

Merrill Lynch Equities, L. Messel, Phillips & Drew Trading, Pinchin Denny, Harold Rattle, Riada, Robert Fleming, Savory Milln, Scrimgeour Vickers (Traders), Smith New Court, Stock Beech, Strauss Turnbull, Wedd Durlacher, White & Cheesman, Williams de Broe, Wood Mackenzie (Wood Street).

The Seaq Alpha securities are:

Allied-Lyons, Asda-MFI Group, BAT Industries, Barclays, Bass, Beecham Group, Blue Circle Industries, BOC Group, Boots, British Aerospace, British Petroleum, British Telecommunications, Britoil, BTR, Burton Group.

Cable & Wireless, Cadbury Schweppes, Commercial Union Assurance, Consolidated Gold Fields, Courtaulds, Dixons Group, Fisons.

General Accident, General Electric, Glaxo Holdings, Grand Metropolitan, Great Universal Stores, Guardian Royal Exchange, Guest Keen & Nettlefolds, Guinness, Hanson Trust, Hawker Siddeley Group, Imperial Chemical Industries, Jaguar.

Ladbroke Group, Land Securities, Legal & General Group, Lloyds Bank, Lonrho, Marks & Spencer, Midland Bank, National Westminster Bank, P & O, Plessey, Prudential Corporation.

Racal Electronics, Reckitt & Colman, Reuters Holdings, RTZ Corporation, Royal Insurance, Sainsbury, Sears, Sedgwick Group, "Shell" Transport & Trading, STC, Sun Alliance & London Insurance.

Tesco, Thorn EMI, Trafalgar House, Trusthouse Forte, Unilever, United Biscuits.

Anti-apartheid call to Commonwealth athletes

BY OUR POLITICAL CORRESPONDENT IN LONDON

SIR Shridath Ramphal, Commonwealth Secretary General, yesterday appealed for the Commonwealth Games, which start in Edinburgh Scotland next week, to become "a notable festival of 'Commonwealth Athletes against Apartheid'."

Speaking in Edinburgh, he said the decision of the organisers to bar the South African-born runner Miss Zola Budd and swimmer Miss Annette Cowley from participating in the England team now made this possible.

What was needed now was "clear statements at the highest political level of an intent to work for agreement with the Commonwealth on a programme of effective sanctions against South Africa" he said.

Miss Cowley was yesterday granted permission by Mr Justice Peter Gibson after a brief hearing in London to go to the High Court on Monday to seek an order lifting the ban on her participation in the Games.

The Commonwealth Games Federation is to hear an appeal on Sunday from the Commonwealth Games Council for England over the banning of Miss Cowley and Miss Budd.

Three more countries – the Bahamas, Papua New Guinea and Sierra Leone – yesterday joined the list of countries boycotting the games. Nine countries have now withdrawn in protest at Britain's South Africa policy.

The British Government's reluctant acceptance that further measures against South Africa might be necessary was acknowledged yesterday by the Prime Minister, Mrs Margaret Thatcher.

Following Wednesday's statement in the House of Commons by Sir Geoffrey Howe, the Foreign Secretary that further measures looked likely if his talks next week in South Africa failed, Mrs Thatcher yesterday told MPs that the "contingency arrangements" which had been discussed both at Nassau by Commonwealth Heads of State and by European Economic Community (EEC) leaders at the Hague were now being made.

She stressed, however, that in the absence of further diplomatic progress, the contingency measures were not automatic but were there to be considered. Mrs Thatcher reiterated her determination to bring about an end to apartheid in South Africa by peaceful negotiation.

World Weather

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

LTV files for bankruptcy

Continued from Page 1

als contracts, which are currently higher than spot prices.

The company may also try to reduce its labour costs still further by demanding new concessions, although it achieved considerable cuts in a new wages contract earlier this year, and the courts may not be willing to allow it to break the contract.

Finally, the company is expected to try to bring in new finance by reorganising its debt. Under Chapter 11, companies have sometimes been allowed to take on new borrowing with the new lenders having a priority call on the company's assets over the existing lenders.

Chips groups' action plan

Continued from Page 1

filed against Japanese chipmakers which together cover well over half of all Japanese chips sold in the US.

The Commerce Department suspended the suits pending the outcome of trade negotiations with Japan. US chipmakers are anxiously awaiting the results of the negotiations which were prompted by a trade complaint filed by the association. They are due to end on July 26.

"The cost to stay in the semiconductor technology race is massive. There will have to be government funding in some way," Mr Sporck said.

"Japan already is embarked on a detailed joint effort of its electronic companies and government

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday July 18 1986

American Express boosted by share sale

By William Hall in New York

AMERICAN EXPRESS, the US financial services conglomerate, boosted its second quarter earnings by 156 per cent to $359m, helped by a $88m gain on the sale of 9m *shares of Fireman's Fund, its former* wholly owned US insurance company.

The group's earnings per share rose by 161 per cent to $1.59 and while the latest performance compares with a lacklustre second quarter of 1985 when the group's insurance operations posted a $72m net *loss, the results were better than* expected and sent American Express' share price $1⅛ higher to $59 in early trading yesterday. The group is capitalised at $13.2bn in the stock market – nearly twice as much as Citicorp, the world's biggest banking group.

Mr James D. Robinson III, the *group's chief executive, said:* "not only have we generated impressive overall growth, but all four of our industry segments had record second quarters." American Express is a leading player in the fields of investment banking, payment systems, asset management and travel and Mr Robinson said that the group was positioned for "sustained long-term growth in both financial and travel services."

In the first six months of 1986, net income rose by 133 per cent to $680m and earnings per share were 134 per cent ahead at $2.99. First half revenues rose 31 per cent to $7.2bn.

Net income at the group's travel related services continued to provide the bulk of the group's earnings. Profits on this side of the *business rose 18 per cent to $185m in* the second quarter, despite lower average airline fares and continuing softness in the international travel market.

Shearson Lehmann Brothers second quarter net income rose 9.7 per cent to $60m

TRADITIONAL TOBACCO BUSINESS SHOWS SHARP GAINS IN SECOND QUARTER

RJR Nabisco profits jump 21%

BY OUR NEW YORK STAFF

RJR NABISCO, the big US tobacco, food and beverage group, has reported a 21 per cent gain in second-quarter net earnings to $276m or 99 cents a share from $228m or 88 cents a share a year previously.

Sales *in* the period reached $5.3bn, up 55 per cent as a result of the inclusion of Nabisco Brands, acquired during the third quarter of 1985. Consolidated earnings from operations increased to £852m, a gain of 44 per cent.

Profits dilution as a result of the acquisition was 10 cents during the second quarter, down from 19 cents a share in the first, the company announced.

RJR Nabisco has been lifted by higher profits in its traditional tobacco business, where prices have been increased while volume sales have also been rising. Worldwide second-quarter tobacco sales rose 8 per cent to reach $2.3bn, while earnings rose 11 per cent to $398m.

Increases in the food and beverages divisions included the incorporation of former Nabisco Brands operations, lifted earnings from those sectors by 147 per cent to $282m on sales that rose over $3bn in the second quarter.

The company is in the process of disposing of part of its soft-drinks interests, Canada Dry and Sunkist, to Cadbury Schweppes of the UK.

Philip Morris, the *other* big US diversified tobacco and consumer-products group, which has been attempting to shed its unprofitable Seven-Up soft drinks business, has also reported higher second-quarter earnings. They rose to $377m or $1.58 a share, against $322m or $1.34 a share a year ago, on sales up from $3.7bn a year ago to $6.5bn as a result of the acquisition last year of General Foods.

Mr Hamish Maxwell, chairman, said tobacco volume sales had im*proved from the second quarter and* first half of last year, while the weakness of the dollar had contributed to higher profitability.

Triangle to buy American Can's remaining packaging operations

BY ADRIAN DICKS IN NEW YORK

TRIANGLE Industries, the rapidly growing packaging and metal components manufacturer, has reached an agreement to buy the remaining packaging businesses of American Can at a price still to be fixed but likely to reach about $570m.

Mr Nelson Peltz, Triangle's chairman, said the acquisition would allow it "to compete on a worldwide basis as a broad-based metal glass, closure and plastic packaging company."

Last year Triangle bought National Can, another leading manufacturer of metal packings and put *into effect a cost-cutting and plant* modernisation programme. Mr Peltz said that American Can's activities would be compatible with those of National Can.

Mr Peter May, Triangle's president, described the operations being acquired as a good, well-run business and said there were no plans to make significant changes in management or operations. Some Wall Street analysts have, nonetheless, forecast that industrial *disputes in the metal can sector this* year will weigh heavily on American Can's relatively high-cost operations.

*For American Can itself, the dis*posal marks a further step towards the company's transformation into a financial services group, set in motion by Mr Gerald Tsai.

Now vice-chairman and chief executive, Mr Tsai had said as recently as last May that he intended to maintain the balance of American Can's businesses. Financial services account at present for about half of the group's earnings, with the remainder split roughly between specialised retailing and packaging – the original business of the group, which now seems bound to consider a change of name.

Mr Tsai said yesterday that proceeds from the group's latest disposal, on which American Can did not expect to make a material gain or *loss, would be used largely to pur*chase the company's own stock.

In the first quarter American Can reported a 20 per cent gain in net *earnings to $67.5m ($2.30 a share)* on sales up 9 per cent to $998m.

Triangle reported profits of $24m on sales of $1.6bn in the full year 1985.

Weak dollar peps up Coca-Cola

BY OUR FINANCIAL STAFF

COCA-COLA, the world's biggest soft drinks company, which is facing fierce competition in its domestic market, is benefiting from the slide in the US dollar on world foreign exchange markets which is boosting the performance of the group's important overseas operations.

Yesterday, Coca-Cola reported a *18.5 per cent rise in second quarter* net income from continuing operations to $225m or $0.58 per share, and for the first half of the year its earnings are up by 15.9 per cent at $387m or $1.00 per share.

Mr Robert C. Boizueta, the group's chief executive, said that be was "delighted with these good results" and was confident "solid earnings gains will continue in the second half." Coca-Cola's shares, which have been adjusted for a three-for-one stock split which became effective on June 15, were unchanged at $41½ in early trading yesterday.

The group's latest figures continue to underline the strong profit growth overseas in its core soft drinks business, while its domestic earnings continue to be sluggish. Coca-Cola USA achieved a 7 per cent increase in shipments in the second quarter and a 5 per cent increase for the year to date. North America operating income increased "modestly" in the second quarter and, for the year-to-date, remained even with the prior year.

International soft drink volume *increased 14 per cent in the quarter* with all three geograhic groups reporting higher unit volume shipments. Operating income advanced at a rate faster than volume due to positive currency translation effects. In Europe and Africa volume growth was 9 per cent, led by gains of 17 per cent in Great Britain and Italy. Strong volume gains in Brazil and Argentina led to an 18 per cent gain in second quarter Latin American volume.

Coca-Cola's second quarter operating income from its entertainment business sector advanced strongly due to "very favourable performance" from syndicated television programming. The group's food businesses also achieved strong volume gains but higher marketing and operating expenses *resulted in operating income re*maining even with the prior year level.

Champion up 16% in quarter

BY OUR FINANCIAL STAFF

CHAMPION International, the world's largest paper producer, pushed up second-quarter net earnings by 16 per cent. The advance came on lumber and plywood activities where firmer prices and lower costs lifted operating profit by 32 per cent.

For the three-months income at the Connecticut-based group was $50.46m, or 51 cents a share, against $43.35m, or 42 cents, on sales well down at $1.1bn, compared with $1.6bn. For the half-year, earnings were down at $72.46m, or 71 cents from $87.1m, or 85 cents, on sales down at $2.22bn from $3.24bn last time.

Paper sales for the latest quarter were up at $740.8m, from $723.9m a year ago, while revenue for wood products was sharply down at $286.9m, from $460.7m.

The company said it was continuing with sweeping cost reduction efforts: "We're not where we want to be yet but we are on our way," said Mr Andrew Sigler, chairman and chief executive.

Bowater, a leading North American newsprint producer, turned in lower net earnings for the second quarter of $14.76m, or 46 cents a share down from $15.22m, or 52 cents. *This left the half-year figure* at $19.93m, or 58 cents, down from $30.3m, or $1.03 a year earlier.

Sales for the quarter eased to $226.75m, from $230.8m, leaving the six-month total at $426.6m, against $446.9m a year ago.

Georgia-Pacific, the largest US softwood plywood producer, bene*fited from increased demand, high*er efficiency, lower costs and better product mix. Net income for the quarter climbed to $86m from $67m or from 61 cents a share to 79 cents, on sales of $1.93bn, compared with $1.8bn last time. *For the half-year,* profit was unchanged at $116m or $1.04, on sales up at $3.53bn against $3.37bn.

Inland Steel recovers to profit

BY OUR FINANCIAL STAFF

INLAND STEEL Industries, the fourth largest US integrated steelmaker, has turned in its first quarterly profit for two years. On the day that LTV, the second largest US steelmaker, filed for bankruptcy protection, Inland reported a second-quarter recovery to $15.74m, or 48 cents a share net profit, against a loss on continuing operations a year ago of $27.8m, or $1.25.

Sales for the three months were higher at $815.6m, compared with $790.3m last time. There was a loss of $1.78m on discontinued opera*tions a year earlier. The loss on con*tinuing activities was after a $53m provison for plant closures and job cuts.

However, the group does not expect to be profitable in the third quarter or for the whole of 1986.

Mr Frank Luerssen, chairman, said "the outlook for a profitable third quarter is not promising in the face of a weak price structure and the prospect of lower steel demand."

The company lost $2.14 a share in the third quarter and $7.37 a share for the whole of last year.

*The second quarter profit result*ed from lower steel manufacturing costs, which were down by 8 per *cent in the first half against last* year's average.

These cost savings were partly offset by a 3.9 per cent drop during the first six months in the average selling price compared with a year earlier.

Inland expects steel prices, which were unchanged in the second quarter compared *to the first, to remain* flat for the near future.

The steelmaker also benefited during the quarter from the 20 per *cent cut in the workforce.*

Disney maintains growth at 9 months

By Our New York Staff

WALT DISNEY, the US entertainment, recreation and consumer products group, yesterday, reported a 52 per cent jump in net profits for the third quarter, ended June 30, to $79.7m, or 58 cents a share, from $52.5m or 39 cents a share, in the same period a year earlier.

The third quarter results were achieved on sales 18 per cent up on last year's, at $647.9m against $546.9m. Over the first nine months, Disney's net profit stood 39 per cent above the same period a year earlier, at $166.2m ($1.23 a share) on sales of $1.74bn, compared to profits of $119.7m (89 cents a share) on sales of $1.42bn.

Wall Street has been following closely the recovery of Walt Disney under its new management team headed by Mr Michael Eisner. A strong gain in the third quarter had been largely anticipated by the stock market, which has pushed the company's share price up to around $48 before yesterday's results were announced – well up from a low of about $20 within the past 12 months.

In a statement yesterday, Mr Eisner said Disney's film entertainment division had performed particularly well, showing a 53 per cent gain in sales to $117.7m and an increase in operating income to $11.3m from $4.3m.

He said results had been excellent from the Disney Sunday Movie on the ABC television network, foreign film syndication, video and cable. Disney has done well from Down and Out in Beverly Hills.

Disney's results have also benefited from the strong rise in domestic US tourism this year.

Turnround for Mack Trucks

By Our New York Staff

MACK TRUCKS, the specialised US heavy commercial vehicle manufacturer in which Renault of France has a significant stake, staged a strong profits turnround in the second quarter of this year, mainly due to non-recurring items.

Net income jumped to $14m or 47 cents a share from $4.2m or 11 cents a share, even though sales were down sharply to $481.4m from $593.2m.

In the first six months of the year, earnings were down to $2.8m or 6 cents a share from $8.3m or 23 cents a share, while sales fell to $878.6m from $1.1bn.

Mack benefited in the quarter from a $5.9m gain on the sale of an *unused service parts facility* in Bridgewater, New Jersey, and extraordinary income of $1.9m for the carry-forward of tax benefits.

In addition, the company adopted a new pension accounting standard, FAS 87, which had a favourable impact of approximately $2.8m.

The drop in revenues was largely attributed to the sharp market decline in heavy truck sales this year.

Diamond Shamrock cuts dividend 60% and plans buyback

BY WILLIAM HALL IN NEW YORK

DIAMOND Shamrock, the Dallas-based energy group which has been hit by the slump in the oil patch, has slashed its dividend by 60 per cent but plans to cushion the blow to shareholders by buying back more than a fifth of its shares over the next two years.

Mr William Bricker, the group's 54-year-old chief executive, said that "given what appears to be an extended period of lower oil and gas prices, we believe this is a prudent course of action and in the best interests of our shareholders over the long term." Mr Bricker said that the company planned to buy back its shares because it believes they are undervalued. "In effect, we will be acquiring oil and gas reserves for less than $4 per barrel," said Mr Bricker.

The annual cash dividend on the company's common stock has been cut to 40 cents per share from $1.00 and the group is eliminating the portion of the dividend previously paid in units of Diamond Shamrock Offshore Partners, a limited partnership formed last year to control the group's oil and gas operations in the Gulf of Mexico.

Diamond Shamrock is more vulnerable than some of its rivals in the US energy industry because it bought substantial reserves near the peak of the oil and gas price boom, when it paid $1.4bn for Natomas in 1983. Early last year it stunned Wall Street by backing out of a $3.25bn takeover bid from Occidental Petroleum. Since then Diamond Shamrock's shares have fallen from around $20 to $9⅞ on the eve of the dividend cut.

Diamond Shamrock also plans to repurchase up to 25m of its 117.6m shares over the next two years. Stock purchases will be made in the open market and Salomon Brothers will act as exclusive agent. In early trading yesterday Diamond's shares jumped by $1¼ to $11.

Improved sales lift Lockheed earnings

BY OUR NEW YORK STAFF

LOCKHEED, the big US defence contractor which sought to extend its interests last week through a $1.2bn friendly bid for Sanders Associates, has reported net earnings of $96m ($1.45 a share) in the second quarter, up from $87m ($1.32 a share) in the same period last year. Sales grew to $2.56bn from $2.2bn.

Mr Lawrence Kitchen, Lockheed's chairman, said the increase in earnings resulted from higher sales, generating higher programme profits in the group's two largest divisions, missiles, space and electronics systems and aeronautical systems.

Figures for the first half show net earnings of $183m against $171m a year earlier, on sales of $4.8bn against $4.34bn.

They also show that at the end of the first half Lockheed reduced its total debt to $329m from $633m a year earlier, while seeing an increase in common shareholders' funds to $1.67bn from $1.51bn.

In the wake of last week's bid for Sanders, which called in Lockheed as a white knight to rescue it from Loral, Standard & Poor's, the rating agency, placed Lockheed on credit watch "with negative implications" *on the grounds that it would add to* the bidder's debt burden.

Sharp setback for Coleco in quarter

By Our Financial Staff

COLECO Industries, the US toys and games maker, yesterday reported second-quarter net earnings of $1.1m or 6 cents a share compared with operating net earnings of $17.5m or 88 cents. In the year ago quarter, a tax credit of $7.1m made final net earnings $24.6m or *$1.24 a share. Sales fell to $127.6m* from $187.9m.

For the first six months net earnings were $6.8m or 40 cents a share, against $52m or $2.86 a year ago, when there was $15.5m. First-half sales totalled $241.2m, against $382m.

Mr Arnold Greenberg, chairman and chief executive, said the results "reflect significantly lower sales of Cabbage Patch Kids products."

The company expected operating *results for the third and fourth* quarters "will compare very unfavourably with those of the respective 1985 periods."

Rockwell sees income rise

By Our New York Staff

ROCKWELL International, the US defence, electronics and automotive components group which has recently announced almost 7,000 layoffs because of a run-down in production on the B-1 bomber, registered a small increase in third-quarter sales and earnings.

Net income for the three months to the end of June amounted to $163.3m or $1.10 a share, compared with $160.2m or $1.07 a share in the same period last year. Sales rose to $3.1bn from $2.9bn.

For the first nine months of the year, earnings fell to $449.4m or $3.01 a share from $455.3m or $3.06 a share, while sales revenues in*creased to $8.97bn from $8.15bn.*

Foreign funds flood into Madrid bourse

BY OUR FINANCIAL STAFF

FOREIGN investment in the Madrid bourse, the fastest moving stock market in the world so far this year, has grown to $1.3bn during the first half of 1986, the exchange authorities said yesterday.

This compares with foreign investment of $785m *for the whole of* 1985, and it has underpinned a rise in total bourse turnover to $17bn for this year's first half, against just *$12bn overall last year.*

Most of the non-Spanish investment came from the UK, West Germany and Switzerland, said a bourse official. "I am convinced we have only just begun to see the potential of foreign investment in Spanish securities," it was declared.

At around 172, the Madrid stock exchange index is currently about 12 per cent below its peaks of mid-May when a level of 194.77 was reached. But that still represents a very strong upsurge in share prices this year.

According to indices prepared by Morgan Stanley Capital International, the Spanish bourse appreciated by 77 per cent over the first six months of 1986 – way ahead of Italy and Norway, which account for second and third places with gains of 65 and 58 per cent respectively.

Banif, the local investment management group, said foreign investors favoured banks, the state-owned telephone company Telefonica and electrical utilities. "The French were also very active, as well as US and Japanese investors."

The oil price crash was a great benefit to Spain, while joining the European Community had made it more accessible to foreigners. "The country is less of an unknown commodity now," *a Banif director said.* "It is becoming part of the European financial network and people are getting to know the local market."

According to Banif, foreign investment tends to move with the market. "It has been pretty tranquil lately but it has a huge potential and we look forward to a strong second half."

INTERN. COMPANIES AND FINANCE

U.S. QUARTERLY RESULTS

ARCHER-DANIELS-MIDLAND
Soyabeans, corn refining

Fourth quarter	1985-86 $	1984-85 $
Revenue	–	–
Net profits	63.4m	51.5m
Net per share	0.41	0.34
Year		
Revenue	–	–
Net profits	230.4m	163.9m
Net per share	1.50	1.08

AMERICAN HOME PRODUCTS
Drugs, household and food products

Second quarter	1986 $	1985 $
Revenue	1.19bn	1.11bn
Net profits	181.3m	167.0m
Net per share	1.20	1.09
Six months		
Revenue	2.46bn	2.32bn
Net profits	378.2m	347.9m
Net per share	2.50	2.27

BANC ONE
Banking

Second quarter	1986 $	1985 $
Revenue	–	–
Net profits	38.4m	31.6m
Net per share	0.56	0.48
Six months		
Revenue	–	–
Net profits	74.3m	61.7m
Net per share	1.09	0.95

CITIZENS & SOUTHERN
Bank holding company

Second quarter	1986 $	1985 $
Revenue	–	–
Net profits	38.1m	30.4m
Net per share	0.64	0.58
Six months		
Net profits	1.28	1.12
Net per share	74.9m	58.4m
Assets	17.4bn	12.3bn

COMERICA
Banking

Second quarter	1986 $	1985 $
Revenue	–	–
Net profits	13.7m	17.3m
Net per share	1.21	1.61
Six months		
Assets	9.29bn	9.8bn
Net profits	26.5m	36.9m
Net per share	2.33	3.24

CORESTATES FINANCIAL
Bank holding company

Second quarter	1986 $	1985 $
Revenue	–	–
Op. net profits	31.9m	9m
Op. net per share	0.96	0.22
Six months		
Revenue	–	–
Op. net profits	64.1m	35.5m
Op. net per share	1.97	1.02

GREAT NORTHERN NEKOOSA
Forest products

Second quarter	1986 $	1985 $
Revenue	502.1m	480.8m
Net profits	†300,000	12.4m
Net per share	†0.02	0.49
Six months		
Revenue	989.9m	978.8m
Net profits	13.6m	26.3m
Net per share	0.52	1.09

†Loss

GREAT WESTERN FINANCIAL
Savings and loans

Second quarter	1986 $	1985 $
Revenue	–	–
Net profits	74.6m	45.3m
Net per share	1.80	1.13
Six months		
Revenue	–	–
Net profits	145.3m	77.3m
Net per share	3.55	1.93

SUNDSTRAND
Aerospace, industrial products

Second quarter	1986 $	1985 $
Revenue	343.3m	303.7m
Net profits	18.7m	17.5m
Net per share	1.05	0.95
Six months		
Revenue	687.8m	592.3m
Net profits	36.8m	32.5m
Net per share	1.97	1.76

Saint Gobain to reduce stake in water group

BY DAVID MARSH IN PARIS

SAINT GOBAIN, the French state-owned pipes and engineering conglomerate, plans to raise around FFr 2bn ($288m) by selling over the next year a 15 per cent stake in Compagnie Générale des Eaux, the big privately owned water utility.

The move partly reverses a controversial step by Saint Gobain to build up a 20.7 per cent stake in the water group three years ago. It will also lead to Generale des Eaux taking a small participation in Saint Gobain when the latter is sold back to private investors under the Government's privatisation programme.

The deal, announced yesterday, adds up to the first agreement by big French groups to build up cross shareholdings in connection with the moves towards private ownership which the Government will be gradually putting into effect for big nationalised industrial companies.

Saint Gobain, which will keep a stake of just over 5 per cent in Generale des Eaux, worth around FFr 600m to FFr 700m, said the water company's stake in its own capital would be worth an equivalent amount.

Details of the agreement, which also include plans for Generale des Eaux to take sizeable minority stakes in operational subsidiaries of Saint Gobain's construction subsidiary, Societe Generale d'Entreprises, will be worked out before the end of the year.

The plan for Generale des Eaux to take stakes of around 40 per cent in these subsidiaries will also bring in other investors into the companies as part of general efforts to strengthen capital resources at Societe Generale d'Enterprises.

The company, acquired from Compagnie Generale d'Electricite, the state electronics and engineering group, three years ago, has suffered big losses in recent years, necessitating large financial injections from Saint Gobain.

Saint Gobain said it wished to sell three-quarters of its stake in Generale des Eaux in order to realise funds for its global investment strategy, which includes a plan for a $600m to $700m acquisition in the US.

Laenderbank plans big funding

BY OUR FINANCIAL STAFF

LAENDERBANK, the Austrian state bank, yesterday announced strong profits for the first half of 1986 and unveiled plans for a possible Sch 1.2bn ($79.5m) international fund raising.

The bank is discussing with an international banking consortium the issue outside Austria of participation certificates worth up to a nominal Sch 300m, according to Mr Gerhard Wagner, the bank's managing board chairman.

The issue is planned for this autumn and the certificates could be listed in London, Zurich, Frankfurt and New York, the bank said.

Mr Wagner said assuming annual balance sheet growth of 5 per cent, Laenderbank must raise Sch 10bn by 1996 to comply with a new credit law on capital base and reserves. He said about half that sum would be generated from internal resources and the rest from the capital market.

Mr Wagner announced that Laenderbank's balance sheet total rose 2.1 per cent to Sch 192.3bn at the end of June from Sch 188.2bn at the end of 1985.

Operating profits in the first half of 1986 were significantly above those achieved in the first half of 1985, he added, but declined to give any figures.

Mr Wagner said uncertainty over prospects on the Vienna stock exchange, and other factors, made profit forecasts difficult. But profits could be assumed to be as good this year as in 1985, and Laenderbank would certainly consider a higher dividend.

The bank made net profits for 1985 of Sch 135.1m.

Germany's Co-op to go public

BY DAVID BROWN IN FRANKFURT

CO-OP, one of West Germany's biggest food retailers, will float a significant block of its shares on the stock exchange next year, Mr Berndt Otto, the managing director, said.

He would not be drawn on the specific terms or timing of the issue, but said the group was prepared to increase its base capital, currently DM 410m ($190m), by as much as DM 115m in nominal DM 50 shares to be offered at "no less than DM 220 each."

On this basis the public share launch would raise more than DM 500m.

Earlier plans fo ra partial privatisation of Co-op shares came to nothing when D. G. Bank, the co-operative bank, backed away from a proposal to buy a 39 per cent stake from Co-op's trade union shareholders for resale to investors.

Mr Otto said Co-op would now wait until next year in hopes of ensuring a good reception for the offering. He added that despite flat turnover in the first half of this year, earnings already indicated the likelihood of a further dividend increase for 1986. The payout on 1985 profits was DM 3-50 a share, against DM 3 in 1984.

Last year, the group, which has around 200 outlets, managed to raise its net profit from DM 26.4m to DM 29.2m despite weak markets and slightly lower turnover of DM 10.2bn.

Co-op plans to press forward with a restructuring and diversification programme, which has recently seen its acquisition of several shoe store chains, a sports goods retail network and building materials shops. Mr Otto said it was not inconceivable that non-food activities could in future make up as much as 50 per cent of total turnover.

● The offer of preference shares at DM 310 each in Puma, the sports goods group, has closed early because of heavy over-subscription. Deutsche Bank, the lead manager, said. The shares, which met grey market quotes yesterday of DM 430, will be listed in Frankfurt and Munich on July 25.

Banks file counter-claim against Hunts

BY MARY FRINGS IN DALLAS

FIRST NATIONAL Bank of Chicago, which was a leader in the syndicate of 23 banks named in the $3.6bn damages suit filed last month by Mr Nelson Bunker Hunt and other Hunt family interests, has filed a counter-claim in Dallas alleging fraud and misrepresentation.

First Chicago has asked the US district court for North Texas to find that the Hunts are personally responsible for over $100m in loans to the Hunt-owned Penrod Drilling, on which the company defaulted in May. The suit claims that Penrod sold $30m in assets but refused to use the proceeds to repay its debts.

It also seeks $226m in actual damages and $220m in exemplary damages, saying that the Hunts repeatedly assured First Chicago that no bank had ever lost money in dealing with them, but failed to adhere to their agreements.

Some of the damages relate to $120m which First Chicago lent between 1977 and 1984 to Hunt International Resources (Hirco) and Great Western Sugar, which in March last year were put under the protection of Chapter 11 of the US bankruptcy code. These two bankruptcy cases are still unresolved, amid charges that the Hunts transferred more than $100m out of Hirco just before filing for court protection.

Upturn continues for US chemicals

BY ANDREW BAXTER

HIGHER MARGINS and operating rates helped Dow Chemical, the second largest US chemical producer, lift second quarter earnings to $227m or $1.19 a share from $155m or 81 cents, extending a year-long trend of profits recovery.

The upturn was matched at Hercules, the Wilmington-Delaware group which has diversified from commodity chemicals into aerospace and electronics, and at W. R. Grace, the specialty and agricultural chemicals concern. Dow's latest profits advance took the six-months earnings total to $402m or $2.11 a share, against $265m or $1.39, on unchanged revenues of $5.76bn. Second-quarter revenues slipped from $3bn to $2.9bn.

Dow attributed the 47 per cent advance in second quarter profits to higher margins in basic businesses, with particular strength in the US, Brazil and the Pacific region. Global volume remained high from modest increases in demand, enabling the company to operate plants at high rates.

Profits for every reporting division rose from the prior quarter of 1986. In the chemicals segment, higher operating margins reflected a better balance between supply and demand, caused by past rationalisation moves, while higher demand helped the plastics business.

"Dow's daily sales volume, excluding feedstocks, reached its highest level in seven years this quarter and we're entering the third quarter with an encouraging order pattern," the company added.

At Hercules, which for the first time announced its results in London, net profits in the second quarter reached a record $77.8m or $1.37 a share, up from $42m or 75 cents a year earlier. The rise came despite a slight fall in sales to $690.8m from $698.8m.

The latest figures include a gain of $17.7m from the sale of the company's 13 per cent interest in Erbamont, less some non-recurring charges.

Mr Alexander Giacco, chairman and chief executive, said all major business segments contributed to the performance. "Foreign operations reported significantly higher earnings partly due to more favourable currency exchange rates. Also, compared with last year, the absence of plant start-up and lower restructuring costs were important factors in this year's quarter-to-quarter increase."

For the year, a new high in earnings is expected, following last year's profits of $133m and $197m in 1984.

W. R. Grace more than doubled net earnings in the second quarter to $86.4m or $2.06 a share, from $42.2m or 82 cents a year earlier. But the latest figure includes a $83m gain on the sale of Herman's Sporting Goods, and net income from continuing operations plummeted from $34.6m to $3.4m. Sales edged up from $1.37bn to $1.41bn.

Banking rules eased in New Zealand

By Dai Hayward in Wellington

THE NEW ZEALAND Government has unveiled details of legislation to open up the country's banking system to any financial institution which can meet the necessary criteria.

The programme has been regarded as among the most important financial measures introduced by the Labour administration of Mr David Lange.

Under the new law any finance house or other institution which has assets of at least NZ$30m (US$16m) and can show it has the expertise to operate a bank will be allowed to do so.

The measure eliminates the distinction between trading banks and other financial institutions. It restricts the use of the word "bank" in a title to certain approved categories including the Post Office Savings Bank, registered banks and private banks.

The ability to operate a foreign exchange service will not be a requirement of any organisation wishing to set up a bank, nor will new banks automatically have the right to operate a foreign exchange service. Any new bank coming into New Zealand will require separate permission to set up foreign exchange dealings.

The previous restriction preventing directors of existing trading banks from being elected to the Reserve Bank will be removed.

Mr Richard Prebble, the associate Minister of Finance, who introduced the legislation, said the removal of the restriction would enable the Reserve Bank to have the services of the most qualified people. The Reserve Bank will have a supervisory role in the running of existing and new banks. Mr Prebble said that in this role the central bank would monitor conditions and operations of banks in the country. It would draw up a register of banks and those people involved in wanting to operate a full banking service in New Zealand.

At least a dozen financial institutions are expected to apply for permission to operate a full bank. Many finance houses have already adapted their operations.

The most recent institution to confirm that it will seek a full banking licence is NZI Corporation, the large insurance and investment company.

Anglo American payouts meet best expectations

BY KENNETH MARSTON, MINING EDITOR

BEST EXPECTATIONS have again been met by the half-yearly dividends declared for the Transvaal gold producers in the Anglo American Corporation of South Africa group. Outstanding among the latest interims is the 380 cents being paid by Southvaal which compares with 240 cents a year ago.

Southvaal draws its revenue from royalties—R85.8m ($33.3m or £22m) last quarter—paid by Vaal Reefs from mining the south lease area adjoining the latter's north lease property.

Gold production from the south lease is expanding with the build-up in operations at the new No 9 shaft where ore hoisting is expected to reach about 96,000 tonnes per month by the year end, on its way to full capacity of 240,000 tonnes by 1991.

Vaal Reefs is lifting its latest interim to 900 cents from 800 cents. Other good interims include: Elandsrand 55 cents (40 cents), Western Deep 255 cents (200 cents) and South African Land 27.5 cents (20 cents).

Average gold prices received by the group mines in the June quarter were little changed from those of the previous three months, but net profits for the latest period are mostly higher.

However, lower earnings are reported by Freegold, the big mining complex created by the recent merger of Anglo's Orange Free State gold mines.

The Ergo dump retreatment operation produced less gold in the latest quarter and also incurred a tax charge compared with a credit in the previous three months.

Elandsrand has managed a further increase in gold production while Western Deep has lifted earnings at net level following a reduced tax charge.

● A maiden dividend of 50 cents (13p) has been declared by DAB Investments the new South African investment company which resulted from the restructuring last year of Free State Development and Investment ("Freddies").

GOLD DIVIDENDS

	June cents	Dec cents	June cents	Dec cents
Elandsrand	†55	70	†40	36
SA Land	†27.5	27.5	†20	20
Southvaal	†380	420	†240	220
Vaal Reefs	†900	1,100	†800	740
Western Deep	†255	430	†200	285

† Denotes interim.

MINE NET PROFITS

	June qtr R000	March qtr R000	Dec qtr R000
ERGO	16,766	35,087	19,529
Elandsrand	42,975	38,467	53,309
Freegold	172,277	189,849	225,992
SA Land	1,238	419	*1,461
Vaal Reefs	165,542	112,308	188,267
W Deep	104,934	90,285	*145,414

*Restated.

BHP finalises Ok Tedi refinancing package

BY MARK WESTFIELD IN SYDNEY

BROKEN HILL Proprietary (BHP) and its partners in the Ok Tedi gold and copper project in Papua New Guinea have finalised their refinancing package worth more than A$400m (US$255.7m) in a major step towards making the mine self-sufficient.

This followed BHP's write-off last year of its A$97.5m investment in Ok Tedi Mining when announcing its 1984-85 results.

BHP, which has 31 per cent of Ok Tedi Mining, is being issued with cumulative redeemable preference shares worth a total of US$94m.

Each of the shareholders is taking proportional responsibility for Ok Tedi's export credit debt which last year stood at just under US$400m.

Partners in Ok Tedi are BHP and Amoco Minerals PNG, each with 31 per cent; the PNG government with 17.1 per cent; Metallgesellschaft with 7.5 per cent; Degussa also with 7.8 per cent; and the West German state-owned DEG on 5.2 per cent.

Ok Tedi is still in its development stages but expects to begin commercial production of copper concentrates this October at a rate of 8,000 tonnes a day.

The partners expect gradually to increase the ore treatment capacity to 50,000 tonnes a day over the next three years.

● An independent examination into BHP's registration of its own new shareholders has cleared the company of claims that it unduly delayed transfers of stakes during and after the latest partial bid from Mr Holmes a Court's Bell Resources, Our Financial Staff adds.

The Melbourne Stock Exchange, which had commissioned the report by accountants Ernst and Whinney, has as a result waived the usual 10-day deadline for registering a change in share ownership.

Japan starts NTT sale

JAPAN'S national Treasury Council has recommended that the Finance Ministry sell an initial tranche of 200,000 shares in Nippon Telegraph and Telephone (NTT), the state telecommunications company, Reuter reports from Tokyo.

Ministry officials said the issue by tender would probably be in October. The remainder of the 1.95m NTT shares due to be sold in the year ending March 1987 were likely to be sold in November at a price based on the striking price set at the October tender.

The Government holds all the Y50,000 face value shares in NTT.

Securities industry analysts said the October striking price is expected to be Y750,000 to Y800,000, given current market conditions.

US QUARTERLIES

ALLIS-CHALMERS
Process equipment

	1986 $	1985 $
Second quarter		
Revenue	219.8m	217.7m
Net profits	207,000	†98.9m
Six months		
Revenue	428.1m	432.7m
Net profits	†4.4m	†150.5m

† Loss. 1985 figures reflect disposal losses.

CALFED
Savings and loans

	1986 $	1985 $
Second quarter		
Net per share	2.00	1.78
Six months		
Net profits	44.5m	39.3m
Assets	20.0bn	17.0bn
Net profits	81.1m	62.8m
Net per share	3.62	2.80

CONSOLIDATED RAIL
Freight rail services

	1986 $	1985 $
Second quarter		
Revenue	811.0m	838.0m
Op. net profits	106.0m	122.0m
Op. net per share	3.78	4.43
Six months		
Revenue	1.59bn	1.64bn
Op. net profits	151.0m	165.0m
Op. net per share	5.33	5.96

DUN AND BRADSTREET
Business information

	1986 $	1985 $
Second quarter		
Revenue	786.6m	661.2m
Net profits	89.2m	77.0m
Net per share	1.17	1.01
Six months		
Revenue	1.52bn	1.29bn
Net profits	174.1m	145.3m
Net per share	2.29	1.91

ELI LILLY
Pharmaceuticals

	1986 $	1985 $
Second quarter		
Revenue	879.3m	756.8m
Net profits	125.7m	110.1m
Net per share	0.90	0.79
Six months		
Revenue	1.87bn	1.67bn
Net profits	298.3m	271.0m
Net per share	2.14	1.92

FORT HOWARD PAPER
Pulp and paper

	1986 $	1985 $
Second quarter		
Revenue	394.1m	373.1m
Net profits	46.8m	43.8m
Net per share	0.70	0.69
Six months		
Revenue	713.6m	681.7m
Net profits	83.7m	76.9m
Net per share	1.25	1.21

GANNETT
Diversified media

	1986 $	1985 $
Second quarter		
Revenue	716.2m	558.9m
Net profits	77.2m	71.8m
Net per share	0.96	0.90
Six months		
Revenue	1.33bn	1.04bn
Net profits	122.0m	113.1m
Net per share	1.51	1.41

HILTONS HOTELS

	1986 $	1985 $
Second quarter		
Revenue	182.0m	185.7m
Net profits	30.5m	27.6m
Net per share	1.22	1.11
Six months		
Revenue	354.4m	358.9m
Net profits	47.9m	51.0m
Net per share	1.92	2.05

IC INDUSTRIES
Consumer, industrial products

	1986 $	1985 $
Second quarter		
Revenue	1.11bn	1.06bn
Net profits	34.2m	34.5m
Net per share	0.32	0.32
Six months		
Revenue	2.13bn	2.06bn
Net profits	53.4m	48.2m
Net per share	0.55	0.45

OLIN
Chemicals, metals, paper

	1986 $	1985 $
Second quarter		
Revenue	440.8m	460.7m
Net profits	30.0m	15.8m
Net per share	1.31	0.69
Six months		
Net profits	55.3m	31.4m
Net per share	2.42	1.37

Anthony Moreton on specialisation at a West German fibres group

Enka reshapes its product base

OVER THE past seven years Enka has radically revised its operations.

When the second oil crisis hit the textile industry in 1979 with unparalleled severity, Enka was a producer of a wide range of general textile, carpet and industrial fibres together with a small amount of speciality fibres for the tyre or industrial markets.

Today this West German production arm of the Dutch giant multinational Akzo has abandoned its me-too approach. It still makes general fibres, but they now account for only a quarter of output. Enka has switched to speciality fibres, where added value, and hence profits, are greater and where competition from low-cost producers in the Far East is less acute.

That switch was part of a traumatic change in both attitudes and production processes.

"We shed over 11,000 jobs," says Mr Josef Hutter, the company's president. "Hard as that was, it was only part of a refashioning of our thinking which meant we had to develop a completely new strategy.

"We got out of some fibres, developed others. We are no longer a me-too company, producing everything that everyone else turned out.

"We have reshaped ourselves around a smaller number of fibres so that we can be number one or, at the very least, number two in the special areas we have chosen. Being number three or four is of no interest to us at all."

That restructuring was based on harsh financial realities. Between 1975 and 1983, Enka made net losses of Fl 1.5bn ($615m). It was not alone. It has been estimated that in the same years the European textile producers as a whole lost $5.33bn.

European agreement

The worst year was 1980 when losses, at today's exchange rates, were just under £100m. Enka did not clamber back into the black until 1983, when the textile recovery had begun, and it is only in the last two years that it has made both comfortable profits and a better rate of return on capital.

In 1984, group income after tax and charges amounted to £61.8m, giving a 19.6 per cent rate of return on capital. Last year income improved slightly to £69.8m and the return to 19.9 per cent.

The improvement was engineered by a pan-European agreement, blessed by the EEC, to reduce capacity. As a result of it, Enka largely got out of nylon, concentrating on polyester and viscose, and out of deep-sea markets. Almost three-quarters of its sales are within Western Europe.

Enka is by far the most important of Akzo's seven operating arms, or divisions. Its £1.52bn sales last year were 30 per cent of Akzo's £4.87bn turnover. It contributed 31 per cent of Akzo profits and accounted for 42 per cent of group employees.


Josef Hutter: spending £107m this year

But Enka is not solely a textile concern. A third of its turnover comes from a valuable and highly profitable assortment of items like polymer products such as plastics, dialysis membranes used in artificial kidneys, non-wovens and textile machinery. Its Barmag subsidiary is one of the world's leading producers of textile machinery.

At the top of this pile, in an office in Wuppertal, half an hour's drive from Dusseldorf, in the heart of the Ruhr, sits Mr Hutter, the identikit international executive for an international concern.

Born in Yugoslavia 57 years ago, he was naturalised as an Austrian, works for a Dutch company, lives in Germany, and converses effortlessly in English. Spells in Enka units in Colombia and Brazil have added Spanish and Portuguese to his armoury.

"The restructuring," he confesses, "was a very difficult time. We had been moving ground anyway but then we were forced to accentuate our plans as a result of the world recession.

"Now we produce textile and carpet fibres but they account for only a quarter of our sales, compared with 56 per cent in 1970. Industrial fibres and non-fibres each account for a quarter of turnover. These are the speciality areas, where we are going ahead strongly.

"We now account, for instance, for 70 per cent of the high-performance tyres used in Europe and 80 per cent of those used in conveyor belts.

"To maintain our position in these areas we have had to invest heavily. Last year we spent over £80m on new plant and machinery and this will be stepped up to £107m this year.

"At Oberbruch we are spending £60m on improving polyester filament yarn production and at Emmen another £30m on polyester staple." This is a far cry from five or six years ago when Enka was investing about £50m a year.

The biggest spending by far is on Twaron, a frontiers-type fibre with a great future in the aerospace and defence industries. Altogether, £165m has been allocated to Twaron, whose line is just beginning to come on stream.

Unfortunately, Enka is engaged in a bitter legal war with Du Pont which alleges it is violating patents which the American company holds in Kevlar. Du Pont has successfully stopped Enka entering the US, though it has been unable to prevent the German concern dealing in Europe.

"Twaron is a perfect example of the way we want to go," says Mr Hutter. "It takes us into highly specialised areas with a high-quality product. There is no future in turning out run-of-the-mill products that can be made more cheaply, and with little added value in the Far East."

The company is greatly upset that Du Pont has acted to block its way into the US. "Closure of the American market is unfortunate because we must have the chance to develop products in the most advanced market. It is also unfortunate for American buyers who are then forced to buy from a monopoly supplier. No customer in the world wants that.

"I don't see why Du Pont has acted like this because our aspirations are modest. We are only seeking 5 per cent of the market: they would have the rest."

Much of the company's growth in future will come from the area of non-fibres. Enka already has a leading place in the market for medical applications for membranes and sees good growth in nonwovens.

Declining tendency

"In these technical fibres," says Mr Hutter, "we want to remain market leaders, building on our traditional strengths, while creating a strong presence in new markets. We will develop every possibility for growth in the non-fibre field and the first results of this can already been seen in our recent expansion into carbon, aramid and silica fibres, reinforced thermoplastics, machinery, electronic materials and membrane systems."

Among all this euphoria about the future there is, however, a small cloud hovering over 1986. Sales in the first six months of the year, at £747m, were flat. The downturn in activity among European textile producers, which has been noticed by others, has been felt in Wuppertal.

"This year a number of market segments are showing a declining tendency," Mr Hutter admits, "partly because of the weaker dollar, partly because of saturation in the market.

"That is why it is important to continue investing. If we want to remain strong we must continue to invest now."

ENKA'S FIVE-YEAR RECORD

	Operating income Fl m	Sales Fl m
1985	462	5,565
1984	438	5,199
1983	157	4,429
1982	87	4,408
1981	42	4,494

Ivo Dawnay on traumatic changes in Brazil's economic climate

Bankers pull down the shutters

BLACK FRIDAY, February 28, 1986 will be long remembered in Brazilian banking history as the day the giddy carnival of deposit-taking came to an abrupt and painful end.

Today, more than four months later, the consequences of the de-indexation of the economy, ordered by the so-called Cruzado plan, are still being registered in a welter of poignant statistics. Since the inflationary spiral — in February approaching an annualised 500 per cent — dropped back to its current rate of under 1.5 per cent a month, over 80,000 jobs have been shed from a total national banking staff of 750,000.

More than 500 bank branches, which in the good-old, bad-old days included tellers on the higher floors of office skyscrapers to capture customers waiting for lifts, have shut — though still a staggering 17,500 remain.

Camouflaged by inflation

The number of cheques passing through clearing houses — some 3bn in 1985 — has dropped by 30 per cent. And banking hours, which in several operations involved a motor-industry style two-shift system, have been sharply reduced. Cheque clearance times, before often as little as 24 hours, have been stretched.

For a banking sector, which in the final days before the plan was skimming the rewards from a monthly 14.36 per cent indexed "monetary correction" even before earning interest, this year's Ides of March were rough indeed. Many believe that the savage restructuring process now underway has some distance to run, and that by the end of the year, total operations will have contracted by a minimum of 20 per cent.

The rewards of the old, pre-Cruzado banking world were rooted in inflation. Banks had built up highly expensive structures to maximise their intake of deposits — current accounts, tax payments, bills, salary cheques etc — and to process speedily the incoming cash. This earned them both the whole of the value of "monetary correction" or indexation, plus interest on top as they lent the money out.

The heavy administrative and capital costs of deposit taking and cheque processing—staffing, branches and machinery — was camouflaged by inflation.

"When inflation was brought to zero, the camouflage was stripped off — expenses became real expenses," Mr Frederick Gibbs of Lloyds explained. "Not only that, but because of real adjustments to contracts and salaries as a consequence of the plan, the banks' expenses were frozen at a real higher rate."

At the same time the end to indexation stripped the banks of a massive source of earnings growth on their lending.

According to Mr Carlos Ingouville, director of consultants Arthur Andersen which last year conducted a survey for the Brazilian banking federation, Febraban, some hint of the deluge was expected by the financial community, but nobody anticipated a complete de-indexation.

"The banks were spending any amount of money to get deposits, and they invested very heavily in data processing — like 24-hour banking — that was visible to the clients, and worked as a marketing tool," Mr Ingouville recalled. "But there wasn't a lot of work on credit risk analysis."

The rewards explain the pattern. For Bradesco, Brazil's largest commercial bank with assets of about $5.6bn, achieved 1985 profits of some $700m, a rise of 84.1 per cent on the previous year. In the first half of this year, however, the trend was reversed. Last week Bradesco reported a fall in first-half pre-tax profits to $150m from $219m in the same period of 1985.

But while just under 50 per cent of its deposits were accounted for by mortgage loans, compared with 33.5 per cent in its commercial banking activities, the two sectors contributed a widely divergent 9.8 per cent and 76.5 per cent respectively to year-end profits. Investment banking and other financial activities took 16.5 per cent of total deposits, but delivered just 13.7 per cent of the bank's profits.

Similar deposit/profit distribution was commonplace among other private banks.

Banespa, the state bank of Sao Paulo, is surprisingly bullish about the new environment, though its president, Mr Fernando Milliet, concedes that he and others will need a 20 per cent growth in nominal loans, assuming 24 per cent annual inflation and a one-fifth cut in operational costs, just to stand still.

According to Mr Milliet, a more than doubling of interest-free demand deposits since the plan—explained as a consequence both of a low base and consumer disenchantment with saving for "low" interest payments — makes this growth target a possibility, though he estimates that profitability throughout the banking sector will fall by more than a third.

However, he added that investment growth is still at the marginal level without any significant capital schemes yet feeding through to loan demand. Interest rates, he insists, need to be kept down.

For the Banco do Brasil, the frost came early. In January, government measures removed its status as "the second central bank" by ending the so-called *conta movimento* — the provisions that allowed the BB to borrow, some would say print unlimited interest-free sums at will.

This facility, according to one senior banker, made the BB's wholly-notional accumulated debt to the Treasury in excess of Cruzieros 300bn before indexation, a figure greater than the whole of Brazil's internal debt.

A major expansion and recruitment programme at the bank has been postponed, but no job cuts or branch closures are foreseen—a decision which raises eyebrows in the private sector. The bank believes, however, that other men's closures should rebound to its benefit in many of its 3,500 local operations, increasing the productivity of its 116,000 staff.

Moreover, with the cachet of government support at a time of financial uncertainty, he claims the bank is already reaping a much greater slice of the booming and lucrative sight deposit market—up to three and a half times its February holdings.

Government plans further reform

"If we had 10 per cent of the total sight deposit market before, we now have 15 per cent," Mr Dantas said.

The variable factor in Mr Dantas's equation for optimism, however, lies in the Government's highly secretive deliberations on banking reform, the second seismic shock wave, which is expected to hit the sector some time in the new year.

Last year banks and financial services contributed about 6 per cent to Brazil's $230bn GDP. This proportion cannot be matched in 1986 and banks are now arguing a strong case for government help.

Febraban, the banking federation, has called for:

● The issue of government paper in return for the compulsory deposits required by the central bank, a move which would help cover costs without expanding the already inflated money supply;

● A recovery from the state of the margins lost on cheap interest loans — often as much as 12 per cent — for protected sectors, such as agriculture; and

● A reduction in bank taxation, currently at about 46 per cent — a substantial premium over other industries.

Some, or at least part, of these requests may be met. But word in Brasilia has it that the Government believes there is still fat to be had from the private sector after its years of gorging on the fruits of hyper-inflation.

More positively, the government is expected to seek in its banking reform strategy a substantial liberalisation in the banking and financial services markets, allowing easier access for new players, though Brazilian nationalism is unlikely to sanction much further intrusion by foreign interests.

Second, it is expected to try to reduce its own function from a casual, interventionalist role to a more purely technical and regulatory one.

Last, it will attempt to hand over to the private sector a larger role in mobilising long-term investment. Though more than 60 per cent of the GDP is still attributable to public sector activity, there is widespread dissatisfaction in government circles that almost all long-term lending is directed through its development bank or foreign financiers.

Longtime observers believe that after all the slimming and trimming, mergers are bound to occur. The 120 principal banks of five years ago, now about 110, may soon be 90-odd.

The danger, according to Mr Ingouville, is that too many — especially of the smaller banks — will try to do too much rather than recognise the benefits of specialisation and strategic planning. It also looks likely that there will continue to be insufficient emphasis on information monitoring, developing cost systems of analysis to tell the banks where the most profitability lies.

INTL. COMPANIES & FINANCE

Japan may make public long term bond issue

By Ian Rodger in Tokyo

JAPAN'S Ministry of Finance is considering a public issue of long term bonds (over 10-year maturity) and allowing the formation of a secondary market in its existing long term bonds.

Up to now, the Government's issues of long team bonds have all been made by private placement with local instiutions, and the bonds themselves have carried a resale ban. Most are 15-year issues and are on floating rates, reflecting investors' anxieties about long term bonds.

Restrictions on the resale of other types of government bonds have steadily been eased in the past two years.

Now the government is seeking to take advantage of the very low long-term rates available in the market and of the increased competitiveness among potential underwriters. It would expect to negotiate finer rates for a public issue than for untradeable privately placed bonds.

Discussions on a possible public issue are now taking place between the MoF and securities firms, banks and other potential underwriters. The MoF would not indicate yesterday how soon it was likely to make a decision.

The MoF is also considering a new form of underwriting for future issues of long term bonds. The plan being studied would allow the Ministry to select lead managers after sounding out potential underwriters on the terms they would be prepared to offer.

The MoF uses an auction system for selecting underwriters for its two to four-year bonds and forms the syndicates for its 10-year bond issues.

Investment dealers expect the Government's issues of long term bonds this year to reach Y1,500bn, similar to the amount raised in each of the past two fiscal years.

World Bank taps Euroyen market with novel funding

BY ALEXANDER NICOLL

THE WORLD BANK yesterday launched one of the largest issues so far seen in the Euroyen bond market, a Y50bn 10-year deal with a feature designed to enhance secondary market liquidity in the future.

Nikko Securities (Europe), the lead manager, said that although the issue is not as large as the record Y80bn issue for Canada, it will be fungible with any future World Bank issues on which the coupon is set at 5¼ per cent. If there are such issues, they will also be assigned the same maturity date in 1996.

Similar means of improving secondary market liquidity are currently under consideration in Japan's samurai market, where it has been chronically lacking.

The World Bank deal was launched late in the day at a price of 100⅞, and was initially bid at a discount to issue price equal to its total fees.

Also in the Euroyen market, where prices were little changed yesterday, Sumitomo Finance International brought a Y10bn five-year issue for Bayerische Vereinsbank. It, too, met a reasonable reception with a 5¼ per cent coupon and price of 101½.

Eurodollar fixed rate bonds recovered early losses to close unchanged, with issuing activity cautious in the wake of the large Norway issue earlier in the week. SNCF, the French railway system, made a $100m partly-paid issue led by Societe Generale, with no co-managers and stepped fees depending on the size of underwriters' commitments.

The issue, for seven years with a 7½ per cent coupon and 99⅞ pricing, is payable $14⅞ in September with the remainder due a year later. It traded within its fees.

The floating rate sector saw another US savings and loan institution, Santa Barbara, with a $100m collateralised issue, in targetted and registered form, at 1/16 points above three-month London interbank offered rates. The deal was led by Credit Suisse First Boston and also traded within its fees.

The West German market saw an innovation in the form of six-month warrants to buy DM 200m of the Federal Government's 5¾ per cent issue due June 1996, at an exercise price of 100.9. Led by Bayerische Vereinsbank and Salomon Brothers International, the issue—formally by Salomon Inc—began trading at DM 2¼ and later rose to DM 2½, with Salomon saying the issue had sold out.

D-Mark bond prices were slightly higher on currency factors, particularly better-name issuers, and the Inter-American Development Bank issue continued to fare well with a bid of ¼ below the issue price.

Swiss bond prices were unchanged to marginally lower. Toyo Menka's SFr 200m had its coupon cut to ¾ per cent from 1 per cent.

Mitsui Petrochemical Industries launched two five-year issues, a SFr 100m convertible and a $70m bond with equity warrants. The Swiss issue, led by Union Bank of Switzerland, has an indicated coupon of 1 per cent, and the dollar deal, brought by Nomura International and guaranteed by Mitsui Bank, an indicated coupon of 2¾ per cent.

Den norske Creditbank of Norway raised DKr 250m with a five-year 9⅝ per cent issue priced at 100½ with Copenhagen Handelsbank as bookrunner, which traded well within its fees.

Wednesday's FFr 500m issue for Norsk Hydro, led by Banque Paribas with a seven-year life, 8 per cent coupon and 100½ per cent pricing, slipped to trade at discounts exceeding its total fees.

Nikko Securities led a $25 bonds-with-warrants issue for Japan Coated Paper Manufacturing, for five years with an indicated 2¾ per cent coupon.

Slow start for sterling paper

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

STERLING commercial paper outstanding at the end of banking June amounted to £50m, according to figures released yesterday by the Bank of England as part of its regular money supply statistics.

The figures, which cover the period up to June 18, confirm the slow start to the market, first authorised by the UK authorities in April. Issue volume is thought to have accelerated in banking July, especially with a £60m placement by Allied-Lyons last week.

A more recent estimate by Lloyds Merchant Bank suggests that as of mid-July some £175m to £200m in paper had been issued of which £100m to £150m was still outstanding.

The Bank of England's figures show that of the total outstanding in banking June, £20m was left with the banking system itself. This tends to give the lie to dealers who claim strong interest in the market from non-bank investors, although a Bank official said yesterday that it was hard to determine trends at such an early stage in the market's life.

Lloyds said that in the first 11 weeks since the market was authorised 21 programmes had been announced, 18 of them for UK groups. It said it believed that paper had actually been issued under 10 of these programmes.

$100m facility marks NCNB Euro debut

By Our Euromarkets Correspondent

NCNB CORPORATION, the largest bank in the south-east US, made its debut in the Euromarkets yesterday with the launch of a $100m, five-year loan facility arranged by its London subsidiary, Carolina Bank.

The deal, which will be used to diversify the bank's source of funds and help back up issues of commercial paper in the US, carries an annual facility fee of 10 basis points.

It allows for the issue through a tender panel auction system of short term Euronotes carrying a maximum issue of 10 basis points over London interbank offered rate (Libor). There will be an additional utilisation fee of 7½ per cent if more than half the notes are returned to underwriters at the maximum yield.

Lead managers are Bankers Trust, Chase Manhattan and Manufacturers Hanover.

Separately, Merril Lynch said it arranged a $100m underwriting and Eurocommercial paper facility for Bank of Yokohoma. The club deal was increased from an initial $75m.

County NatWest has assembled an unlimited sterling certificate of deposit facility for Sumitomo Trust and Banking which will be used to fund the loan book of its London branch. Other dealers in the programme are Samuel Montagu and S. G. Warburg.

Reynolds Metals makes good progress

By Adrian Dicks in New York

REYNOLDS METALS, the second largest US aluminium producer, has produced a marked improvement with second quarter net earnings up at $25.8m, or $1.17 a share, from $4.9m, or 21 cents, in the same period last year. Sales rose 11.5 per cent to $1.02bn from $921m.

Although the net result benefited from a $10.8m, or 49 cents a share, tax loss carried forward from previous years, Mr William Bourke, Reynolds' president and chief executive, said the company's performance had also been lifted by the stronger sales volume, a better product mix and higher ingot prices.

"In the third quarter we are now beginning to realise the benefit of higher fabricated product prices which should help to offset any slowing of shipments as customers work down excess inventories that may have been built through strike hedge buying earlier this year," Mr Bourke said.

Reynolds has been seeing strong demand for aluminium from the building, packaging and container industries and expects this to remain firm after the recent cuts in interest rates.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on July 17

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Cd. 9¾ 16	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Atlan. Richfield 10¼ 00	250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia Com. 11 95	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia Com. 11¼ 00	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 9⅝ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 11⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Campbell Soup 10½ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 9 96	1000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 11½ 90	500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac. 10¾ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CEPME 10¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 10 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 10⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Lyonnais 9 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit National 9⅝ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kingdom 7¾ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kgdm. 11½ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kgdm. 11½ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EDC 8½ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 8⅛ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 8⅝ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 9¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 10¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 12 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eli Lilly 10¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Export Dev. Cpn. 10 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fed. Dep. Strs. 10⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Cred. 10½ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Cred. 11¼ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen. Elec. Cred. 10¼ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 10¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 8½ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IADB 9⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IADB 10½ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Merrill Lynch 8¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS — [illegible]

SWISS FRANC STRAIGHTS — [illegible]

YEN STRAIGHTS — [illegible]

OTHER STRAIGHTS — [illegible]

FLOATING RATE NOTES — [illegible]

CONVERTIBLE BONDS — [illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

هكذا من الأصل

THE PROPERTY MARKET BY WILLIAM COCHRANE

John Lewis makes out-of-town move

THE JOHN LEWIS Partnership, undisputed top name among urban shopping centre developers when they are looking for a big name department store tenant, is making its first move to a modern, out-of-town location. Its first out-of-town department store will be at High Wycombe, to the west of London.

The Partnership has agreed to acquire eight and a half acres of land at Cressex, on the outskirts of High Wycombe adjacent to the M40. Planning for a department store which will carry principally the Partnership's furniture and furnishing assortments is still to be completed but the new branch could be ready to trade early in 1988.

There will be no fashion departments but it is likely that departments catering for leisure interests — sports, gardening, garden furniture, toys, radio and television—will be included.

There will be about 600 free car parking spaces on the site which is visible from the M40, half a mile from the High Wycombe / Marlow / Maidenhead turn-off. It is at present a green field, but it has been designated by the local authority as a site for retail development and is bounded by an exising superstore, a residential area and an area of public open space.

High Wycombe is not the Partnership's first store to court the car-borne shopper. That role went to John Lewis Brent Cross, at Hammerson's trail-blazing Brent Cross shopping centre on London's north circular road, near Hendon.

This store opened in March 1976 after more than 10 years of planning and preparation; it was comprehensive, carrying all of the standard John Lewis lines, including fashion; and in its day it was quite a departure from traditional retailing location, standing where most property developers would put warehouses, or petrol stations.

It is also noticeable that each of the lines which the Partnership proposes to sell is already on sale, out-of-town, through one warehouse retailer or another. However, John Lewis's director of research and expansion, Stuart Hampton, argues strongly in the latest Parnership Gazette that High Wycombe will be up to departmental store standards, with the quality and ambience which that implies.

"We cannot ignore the current of change which is leading to a growth in out-of-town shopping," he says, but adds: "We shall be addressing our merchandise and our selling approach to exactly the same type of customers who currently form the mainstay of our business."

RICS vote for change

DONALD TROUP, newly elected president of the Royal Institution of Chartered Surveyors, this week welcomed his members' overwhelming vote for limited liability, and against restrictions on the amount or nature of outside investment permitted in partnerships or companies of chartered surveyors.

"Surveyors now have the option of structuring their business either in partnership of corporate form," he said, adding that the move creates opportunities to raise finance for expansion.

Idris Pearce, newly elected vice president of the Institution a partner in Richard Ellis and a doyen of the RICS Asset Valuation Standards Committee, later added a refinement to the expansion point.

There had been much talk of financial megacorporations buying surveyors' firms, he said, but less of surveyors buying other areas of expertise — management consultants, perhaps. Now, he said, surveyors would be able to bring these other disciplines into equity partnership.

Michael Pattison, secretary general of the RICS, said it would welcome back members who had resigned, having accepted company directorships before the rule book was changed.

Wimbledon consent

SPEYHAWK has received planning permission from the Department of the Environment, following an appeal lodged by Strutt and Parker, for its Wimbledon Bridge scheme which comprises an office development of 150,000 sq ft, 50,000 sq ft of shopping and parking for 300 cars.

Its major Wimbledon Town Hall site, planned for 350,000 sq ft of retailing, remains in contention. Merton council's local plan is currently the object of one public enquiry; in November, competing planning applications by Speyhawk and Greycoat will be examined by another.

● Warwickshire County Council, advised by Drivers Jonas, has selected Tarmac as developer of the first, 25.9 acre phase of its 56 acre Technology park site. The first unit to be developed will be a multi-use complex in the style of the technology units built at the Warwick University Science Park.

● Jones Lang Wootton say that industrial rents have shown faster growth than offices for the first time in the 1969-86 history of their 50 centre report, which examines office and industrial rents in 50 locations.

● Richard Ellis's June 1986 French property report notes persistent undersupply of offices, a boost in letting and sale prices and relaxation of planning rules in 1985. The combination of these, it says, has led to developers acquiring sites which could produce 21.6m sq ft of office development in the close vicinity of Paris.

● Christopher Hedley, head of research at Herring Son & Daw, has produced a property handbook for the motor trade which says that too many property traders manage their property inefficiently.

Property, he says, is most traders' major fixed asset and is often taken for granted. He says that a regular site appraisal is necessary to consider: development, adjusting uses; extending or reducing land holdings; and moving all or some of the activities to more appropriate premises.

● Chestertons Lim Oh, Singapore associate of Chesterton Lalonde, have sold the 350 room Orchard Hotel, Singapore, to City Developments, a member of the Hong Leong Group, for S$39m (£12m). William Bagnall, director of Chestertons Lim Oh, says that this sale should give a much needed boost to the Singapore property market.

● Associated British Ports and Shearwater, a member of the Rosehaugh Group, say that following their joint redevelopment of the Princess Alexandra Dock in Southampton they will be carrying out a £9m town centre scheme in Horsham, Sussex.

The development will comprise some 25,000 sq ft of shopping, the same amount of offices and parking for 60 cars.

Secondary rents still growing

THE Investors Chronicle Hillier Parker Secondary Rent Index shows that secondary shop rentals increased by over a sixth in the past 12 months and have more than doubled since 1979.

There are also signs of the office market picking up with rates of growth up from 4.2 per cent a year ago to 6.8 per cent now — a 60 per cent improvement. The industrial sector, however, shows little sign of any significant improvement.

The report shows that there is little difference between secondary and prime property rental growth overall during the past 12 months, but that there are significant variations between different types of property. Secondary shop rents have grown faster than any other sector, including prime shops.

Prime offices just beat secondary offices, due almost entirely to differences between the two markets in Central London. However, reflecting the timing and effect of economic recovery, prime industrials increased by 8 per cent over the past year, nearly three times the increase in their secondary counterparts.

The Secondary Rent Index measures property which lies at the border of what institutions would normally buy.

Houston tops the vacancy charts

EMPTY office space in the US hit a record level in the second quarter of this year and Houston, capital of the world's oil industry, is now top of the vacancy charts, says a report from real estate specialists Coldwell Banker this week.

Almost a third of the city's 145m sq ft of office space is empty, reflecting a combination of low oil prices, a weak agricultural economy and a drop off in Mexican trade — on top of the national over building which has left Houston's 28.6 per cent vacancy rate in company with: San Antonio, 28.4 per cent; Orlando, Florida, 28.2 per cent; Phoenix, 27.9 per cent; Fort Lauderdale, Florida, 26.6 per cent; and Denver, 26.3 per cent.

Coldwell Banker's report follows specific views on Houston from the local office of real estate advisers Landauer Associates—which indicates how bad things have become—and from bankers Salomon Brothers, who suggest that they will get worse.

Landauer's Douglas Walsh says from Houston that existing properties which were built, purchased and/or financed in the early 1980s, when Houston was still a burgeoning boomtown, cannot get the rents they were going for in today's markets. Concessions tend to reduce "lease face rates" by approximately 25 to 40 per cent, based on a five-year term.

"In the past," says Mr Walsh, "developers and owners have believed that inflation and a better market would make such face rates valid by the end of a five-year initial lease period and would escalate thereafter . . . this scenario is simply no longer valid."

Salomons say that, since 1981, all office submarkets in Houston have experienced a decline of about 50 per cent in effective rents as a result of the overall market weakness. "Typical market concessions are for two to two and a half years' free rent on a five-year lease," they say.

They say that the rate of space absorption for 1985 was essentially zero, well below the eight to eleven million square feet annually absorbed in the late 1970s and early 1980s. "We expect 2m sq ft of negative absorption in 1986 before any recovery occurs," they forecast.

"We project that the recovery will be gradual and that the vacancy rate will not improve until 1988 at best," they say. "Thus, our estimates show Houston's 1990 vacancy rate to be only marginally lower than that in 1985."

"It is still too early to buy investment property in Houston," they conclude, "but it is not too early to look." They reckon that if the local economy recovers as slowly as they expect, prices could fall by an additional 20 to 30 per cent.

International Property

Company Notices

Legal Notices

UK COMPANY NEWS

Industrial division lifts BET 34%

ON THE BACK of a nearly trebled return on its expanding industrial services activities, BET, the diversified services company which also has interests in construction and publishing, yesterday reported 1985-86 profits of £124.6m—34 per cent ahead of the comparable period and right in line with City estimates.

The shares rose 13p to 453p on the announcement of the figures for the year to March 31. Mr Nicholas Wills, chief executive, said that acquisitions accounted for more than half of the profit improvement, but he stressed that organic growth would remain a high priority.

"We have made many acquisitions and disposals, all in line with the strategy laid out three years ago, and I believe our view, that acquisitions only make long term sense when they have sound commercial logic, is gaining ground," he added.

The year saw the integration of the Initial, Advance Services and Laundrycraft cleaning operations, and other smaller linen rental businesses. These added an estimated £2m to profits, while the crane hire company GW Sparrow and some publishing buys lifted the total contribution from purchases to £26.1m of gross operating profits of £150.6m (£105.3m). Exchange rate changes cost the company £7.7m, mainly on the South African rand.

The distribution of profit between the company's activities has changed, with the industrial services share doubled to 36 per cent. The geographical spread is also different—the UK now provides almost 60 per cent of both turnover and operating profit. Mr Wills said that South Africa now accounted for less than 2 per cent of earnings.

Turnover moved ahead from £1.06bn to £1.33bn. The comparable figures have been restated to reflect the decision last year to make subsidiaries' accounting periods coterminous. As published, last year's figures show a turnover of £1.2bn and pre-tax profits of £103.5m, which would make the respective rates of growth for 1985-1986 11 and 20 per cent respectively.

Reviewing the year's operations, Mr Wills said that in industrial services the creation of an integrated operational and management structure had "unhappily resulted in the closure of several branches and plants, with a number of redundancies. But a much more efficient operation has resulted, better able to compete in a wide range of tough markets and with considerable scope for expansion."

Initial Automatic Services achieved record profit. It has now taken over the dish and glass-washing and icemaking services of fellow BET company, the Ditchburn Organisation.

Overseas businesses continued to grow with record results from the US, the Netherlands, Belgium, France, Australia, Singapore and Malaysia.

Biffa Waste Services, one of the UK's largest waste contractors, sharply improved its performance this year, so that waste disposal as a whole contributed £3.1m profit to this sector. Re-Chem was sold to its management after the closure of its loss-making Scottish plant restored the company to a sound footing.

Cost elimination in the newly-integrated textile rental subsidiaries had already produced substantial savings, said Mr Wills, with benefits from the further rationalisation still to come. These should be fully realised by 1988 but the more exciting long term prospects lies in the pooling of management, sales and service, and research teams.

"The prospects for offering integrated — or 'turnkey' — support services are considerable, especially when the services of other BET companies can also be included in the package."

In transport, construction, electronics and leisure, and publishing, results were mixed. Transport was fairly static at the operating level, at £31.2m against £29.1m, while in construction there was a 21 per cent improvement to £30.9m. Electronics and leisure rose from £20.6m to £23.2m.

Publishing was one of the main disappointments, said Mr Wills. Operating profits slipped from £12.1m to £11.9m, with £11.2m from Argus Press and £0.7m from Electrical Press.

"The main problems have now been resolved," he said. New publications which failed to meet their targets have been suspended or closed. The specialist magazines division, which suffered from the collapse of the home computer market, has been merged with the consumer magazines division.

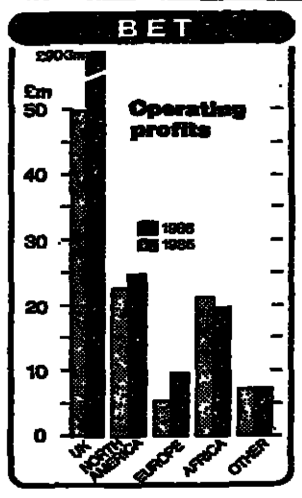
More free newspapers have been launched and over £8m has been spent on acquisitions, services for hoteliers, such as minibars and room safes. The background music operation—the largest outside the US—has taken over that of BET's Ditchburn Organisation.

From earnings per deferred ordinary share up from 27.6p to 34.2p, the company is to increase the year's dividend from 14p to 16p with a final of 12p (11.25p). This will account for £41.2m (£29.2m) to leave retained profit at £34.8m (£18.5m).

Net debt at the year end was up from £166m to £273m, making gearing 65 per cent up from 38 per cent. Mr Wills said that returns on both assets and equity had improved markedly as a result of restructuring.

See Lex

Mr Nicholas Wills, chief executive of BET



Marina operator floats on to the USM

By Richard Tomkins

The Marina Development Group will be coming to the Unlisted Securities Market next week through an offer for sale which will be one of the most unusual flotations the USM has yet seen.

The company is one of the largest marina operators in Europe, but although there are other British companies in the business, Marina will be the only independently quoted operator.

Its chairman is Mr Robin Aisher, a member of the dynasty which founded the Marley tiling group and an executive director of that company.

Mr Aisher is also a keen yachtsman, having captained the winning British Admiral's Cup Team in 1975 and 1981, and next week goes to Buckingham Palace to pick up an OBE for services to sport.

But the most eyebrow-raising aspect of Marina Development's prospectus will be the company's trading record. It will show that in the last five years Marina has only once achieved a pre-tax profit—a meagre £5,000 in 1984. In all the other four years it turned in six-figure losses after hefty interest charges.

Mr Aisher tells how Marina Development was founded almost by accident in 1972 when he was searching for a suitable training base for Olympic sailors.

...On visiting Penton Hook marina between Staines and Chertsey on the River Thames, he was mistaken for a would-be purchaser. This aroused his interest in the site as a business proposition, and the next year he completed the purchase of what was soon to become the biggest inland marina in Britain.

Since then Marina Development has acquired another five marinas on the rivers Thames, Great Ouse and Severn, and in 1984 it began its most ambitious project yet: the development of a marina with associated shops and restaurants in Torquay

This rapid expansion has been financed by short-term borrowings with the result that a steady rise in operating profits to £739,000 in the year to last March has been more than wiped out by interest charges rising to £901,000. Gearing at present is over 250 per cent.

The aim of the flotation, which will raise about £5m, is to cut borrowings to a manageable level and enable the rising operating profits to feed through at the pre-tax level.

Marina will be coming to the USM on a profits forecast of £770,000 for the current year, and will probably carry a prospective price/earnings multiple close to the sector average of 13. Joint sponsors to the issue are Guidehouse and Kitcat & Aitken.

Marina's strategy for future growth is to exploit the maximum potential of its marinas by adding on services such as boat sales, chandlery, repairs and recreation to the basic activity of berthing. Further acquisitions are planned.

Mr Aisher shrugs off suggestions that the company is vulnerable to cyclical changes in consumer spending or the vagaries of the British weather.

"When times are hard, people cancel their holidays—they don't sell their cars or boats. And even if they don't use their boats as much, we are still collecting the berthing fees," he says.

"As for the weather, statistics show that most owners are more interested in sitting aboard their boats and having a drink with friends than in actually putting out to sea, so poor conditions are rarely a deterrent."

Rank hits £70m but counts the cost of Granada bid

THE RANK ORGANISATION yesterday reported a £7.4m increase in its first half profits and at the same time revealed that its blocked bid for Granada last February had cost some £9.8m to date.

The costs, including a loss on the sale of 7.59m shares acquired in the offer, would be treated as an extraordinary item in the full year accounts.

The opening six months (to May 17 1986) saw improvements by most group divisions, although UK hotels suffered from a general decline in overseas bookings, particularly from North America.

London hotel occupances fell by some 9 per cent, but Rank was hopeful and there would be no further deterioration over the balance of the year.

Trading profits of the hotel and catering division fell by 29 per cent, with the hotels side accounting for almost all of the setback.

Overall, group profits pushed ahead to £70.2m pre-tax, an improvement of 11.8 per cent over last time's £62.8m.

City analysts were expecting a sluggish performance from the Rank Xerox associate and a loss of income from US tourism. In all, they were looking for profits of between £68m and £70m but were hopeful of better news in the traditionally better second half.

Earnings worked through 1.5p higher at 18.4p and the interim dividend is being stepped up from 5.5p to §.25p net per 25p share.

Tunover improved from £211.8m to £225.1m and at the trading level profits pushed ahead by £4.8m to £30.1m—Rank is a leisure group taking in Butlin's and the Odeon cinema chain.

The largest profit gains came from film exhibition, film distribution, the Top Rank clubs and Rank Taylor Hobson.

The share of profits from the Rank Xerox associate rose from £38.9m to £40.8m, but the remaining related companies' contribution fell from £2.8m to £0.8m—Telecom Plus and Cathay are no longer associates.

During the half year profitable expansion of the group continued via acquisitions and the development of existing operations.

Haven Leisure, a leading holiday company with caravan parks and boating centres in the UK and France, was acquired in February for £37.5m, and in the US Electro-Controls was purchased for about £8.4m in April, giving increased market penetration to the Strand Lighting operations in America and Canada.

In June, Rank acquired from the Ladbroke Group 36 social and bingo clubs and 42 High Street amusement centres located throughout the UK for £67.5m.

In the year to date some £100m of capital expenditure has been spent or authorised on the managed activities with the emphasis on the re-structuring of the Butlin's main holiday centres.

Rank's £753m offer for Granada was withdrawn last March following intervention by the Independent Broadcasting Authority and a subsequent High Court ruling. Rank currently holds 12.4m (4.95 per cent) shares in Granada.

Interest charges for the first six months were reduced from £4.2m to £1.5m. Tax accounted for £29.8m, against a previous £24m.

Net profits emerged at £40.4m, an improvement of £1.6m, and after minorities and preference dividends, profits available for ordinary shareholders came through at £37.1m, up from £34.2m. Ordinary dividends will absorb £13.5m (£11.1m).

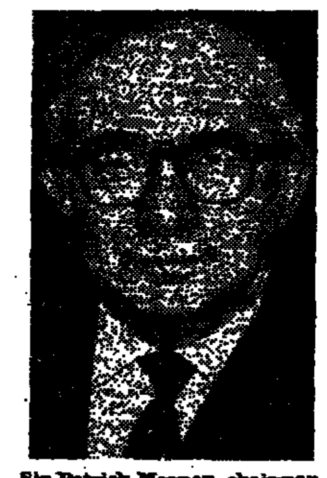
Looking ahead, the directors said their objective continued to be the improvement of earnings through greater efficiency, selective investment and expansion in the UK and overseas.

The results for the first six months were presented on consisaent accounting bases and excluded figures from Butlin's, Leisure Holidays, Haven Leisure and Rank Travel.

Group pre-tax profits for the 1984-85 year increased from £105.3m to £137m and a final dividend of 9.5p was paid.

● A. Kershaw and Sons, the precision engineering subsidiary of the Rank Organisation, had a static half-year with same-again pre-tax profits of £1.31m.

See Lex



Sir Patrick Meaney, chairman of Rank Organisation

Boots sales ahead so far

BY LAURIE LUDWICK

MR ROBERT GUNN, chairman of Boots, the retail chemist and pharmaceutical manufacturer, told shareholders at the annual meeting yesterday that first quarter group sales increased by 7.8 per cent over the same period in 1985.

In the retail division, counter sales in the first quarter of Boots' current financial year increased by 8.9 per cent over the same period last year, after a slow start from poor weather. Increased promotional activity boosted real growth in most business areas, particularly in toiletries and chemist departments.

First quarter sales for the industrial division were up by 12.4 per cent, although pharmaceutical sales increased by only 1 per cent, having been affected by generic competition in the US subsidiary. However, the US company is expected to recover with the acquisition of additional product licences.

● On their way to the meeting, shareholders faced a small demonstration by SPUC — the Society for the Protection of Unborn Children — outside the Grosvenor House Hotel. The group opposes Boots' participation in a research trial — conducted by the Medical Research Council — which tests whether multi-vitamin pills given to expectant mothers can prevent spina bifida occurring in their babies. Boots supplies the pills, which are given to 2,000 high-risk mothers.

Standard offshoot up 15%

BY NICK BUNKER

Standard Chartered, the UK-based worldwide banking group, released details last night of a 15 per cent jump in half-yearly earnings by its Californian banking subsidiary.

Union Bank, based in Los Angeles with assets of £5.7bn ($8.6bn) reported pre-tax profits of £16.4m ($24.6m) in the first six months of 1986. Quarterly earnings up to June 30 were £8.9m ($13.4m), up 17 per cent on the second quarter of 1985.

Union Bank, California's fifth largest bank and the 31st biggest in the US, is currently acquiring United Bank of Arizona. It figured largely in Lloyds Bank's unsuccessful £1.3bn takeover bid for Standard Chartered, which was defeated last weekend following the intervention of Far Eastern and Australian financiers friendly to Standard Chartered.

Standard Chartered's ownership of Union Bank, via Union Bancorp, a holding company, meant that Lloyds had to seek US Justice Department approval if it was to take control of Standard Chartered.

Yesterday's news came the day after it was revealed that Mr Stuart Tarrant, Standard Chartered's finance director, is likely to resign from the group's board after alleged differences with Mr Michael McWilliam, the chief executive.

GT Management's offer closes oversubscribed

GT Management's offer for sale closed oversubscribed yesterday morning although Baring Brothers, handling the issue, refused to say how much money had been put up for the £26.3m offer. Details will be released today.

Meanwhile, Berry Trust, which sold almost 6.4m shares in the offer, has revalued its asset base to £91.7m, or 287.9p per share taking a line through GT's 210p price. The stake had previously been valued at 140p.

Following the float Berry retains 11.7 per cent of the international fund management house.

● The basis of allocations for the Harrison offer for sale has been released by Hill Samuel. A total of 4,300 forms were accepted for over 8m shares, almost 2½ times the number on offer.

Applications for 300 shares will receive 250; 600 to 800 get 300. Applications for 1,000 to 9,000 will receive 35 per cent of the amount applied for, rounded up to the nearest multiple of 50 shares while those for 10,000 to 100,000 receive 40 per cent. Applicants for more than 100,000 will take 45 per cent.

Progressive trimming of Greycoat offer

By Charles Batchelor

Greycoat Group, the property development company, progressively reduced the value of its offer for Property Holding and Investment Trust in the course of private talks which preceded last week's £111m takeover bid, the trust said yesterday.

The trust, which is resisting the Greycoat bid, said Greycoat had originally suggested an offer of more than 67 of its shares for every 100 of the trust.

"At that time, Greycoat's share price was above its published net asset value per share and the trust felt obliged to consider the proposal in the interest of its shareholders.

"During discussions, Greycoat changed its stance and proposed 57 Greycoat shares for every 100 trust shares. This considerably reduced proposed offer was rejected," the trust said.

When Greycoat announced its offer shortly afterwards, it comprised only 55 Greycoat shares for every 100 of the trust. The trust's board said it considered this sequence of events to be entirely unsatisfactory.

Greycoat's shares had fallen from 274p to 248p since the bid was announced on July 11 to value the share offer at about 136p for each trust share. The trust's current share price (of 151p) was well above the Greycoat offer, it added.

Adelaide Steamship has 13% of Coates Brothers

BY TERRY POVEY

MR JOHN SPALVINS, chairman of Adelaide Steamship and one of Australia's top half-dozen corporate chiefs, has spent some £10m acquiring a key stake in Coates Brothers, the printing inks and resins company.

AdSteam now holds 2.21m or 12.9 per cent of Coates ordinary shares and 20.6 per cent of the UK company's non-voting A ordinary stock.

Coates, which has significant interests in Australasia, Nigeria, South East Asia, South Africa and the US, has 17.1m voting and 23.4m non-voting shares. The Coates family can speak for about half of the voting shares but has been under pressure to enfranchise the rest of the ordinary capital for some time.

Coates' voting shares closed last night up 5p at 166p and have risen strongly since the end of the first week of July when they were priced at 135p. The non-voting shares have seen a similar sharp rise. In 1985 pre-tax profits fell £1.6m to £11.6m and as of December 31 net assets were worth 171p a share.

Pavion plans conversion

Pavion International, the cosmetics group, is to put proposals to shareholders encouraging the early conversion of its convertible loanstock to strengthen the balance sheet and implement a rationalisation programme in its non-cosmetic loss-making subsidiaries.

Professor Roland Smith, Pavion's chairman, told yesterday's annual general meeting that the proposals would result in a substantial increase in net tangible assets, which would provide the necessary backing for the action the board considered necessary.

He said the board had expected that the addition of retained profits to reserves would have provided the backing required, but less buoyant trading in Pavion Ltd, and the continued strength of sterling, had reduced the tangible assets base of the company.

Changes at Phoenix Props

Phoenix Properties and Finance, which recently appointed Professor Roland Smith, formerly of the House of Fraser, as its chairman, yesterday announced further changes to its directorate and shareholding structures.

Mr John Duggan is appointed director and chief executive under a three-year service agreement. Meanwhile, Mr Damien Aspinall, who this year injected a block of Belgravia flats into Phoenix in return for a 29.9 per cent stake, has resigned from the board to pursue his personal property interests.

Mr Aspinall will sell his entire interest in Phoenix—3.7m shares—and these will be taken up by Mr Geoffrey Simmonds and Count Bernadotte, directors of the company.

Mr Duggan will buy 300,000 shares and will receive options into a further 700,000 shares.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Anglo-American Scs int	1.5	Sept 3	1.5	—	6.2
BET	12	—	11.25	16	14
Cowan de Groot	1.25	Oct 1	1	2.5	2
Dewhurst int	0.4	Oct 1	0.35	—	1.05
Fleming Technology	1.5	—	1.5	2.3	2.3
Gestetner int	0.5	Sept 3	0.5	—	1.5
Hampson Industries	0.9	—	0.75	1.25	1.05
London Trust	0.75	Oct 1	3	0.75	4.25
Mayfair & City	†1.9	—	1.7	3	2.7
Menvier-Swain	†1.7	Sept 29	—	2.1	—
POW Hotels	1	—	1	1.5	1.5
Rank Organisation int	6.25	Nov 3	5.5	—	15
River & Mercantile int	2	—	1.8	—	5.5
Romney Trust int	1.65	Sept 4	1.65	—	5
Rotaflex	nil	—	1.4	—	5
Tex Holdings	3	—	2.75	4.5	3.5
Tops Estates	‡0.95	—	0.63	0.95	0.63
Wagon Ind	5	Oct 1	4.25	8.5	7.25
Jonas Woodhead	1	—	0.1	1	0.1
WPP Group int	1.25	—	1.1	—	2.64
Yeoman Inv	1.4	Sept 8	3.5	—	9.6

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock

Matthew Brown fails to quash MMC report in High Court

S & N cleared to renew bid

Matthew Brown, the Lancashire-based brewer, yesterday failed in its high court attempt to block a renewed takeover bid by Scottish and Newcastle Breweries.

The Blackburn-based company unsuccessfully asked Mr Justice MacPherson to quash last November's report by the Monopolies and Mergers Commission, which decided S & N's £100m bid would not harm the public interest.

Matthew Brown complained that they were deprived of a fair opportunity to convince the commission that a takeover would be harmful.

The judge ruled their case was not "soundly based" and should be dismissed. He ordered Matthew Brown, which brews the famous Theakstons Old Peculier, to pay both the legal costs of the commission and S & N.

S & N's bid was made on April 3 last year, but frozen 21 days later when the trade and industry secretary referred it to the Monopolies Commission on the grounds that it involved a company with assets exceeding £30m.

The Edinburgh-based company has already indicated that they will consider renewing their takeover campaign at the end of 12 months from the expiry of the original offer. Under this rule, S & N will be free to bid again in December this year.

Mr Justice Macpherson said Matthew Brown wanted to see the Commission report impugned in case it gave the green light to any fresh bid.

The judge referred to the earlier bid as "dead" and said any new takeover attempt was likely to involve a new inquiry with new facts before it.

For that reason, even if Matthew Brown's arguments had appealed to him, he would not have exercised his discretion to quash the Commission report.

"For the present, I think they protest too much and their application is not soundly based and should be dismissed," said the judge.

● T & R Theakston, a member of the Matthew Brown group, is to transfer production from Carlisle to its Workington brewery. This will result in the closure of the brewery in Carlisle in 1987 with the loss of about 30 jobs.

WPP makes £7m rights and plans merger

BY CHARLES BATCHELOR

WPP Group, the fast-growing sales promotion company, yesterday unveiled plans for a one-for-four rights issue to raise £7m and a merger with the Grass Roots Partnership, a privately-owned employee motivation and incentive business.

WPP also announced a sharp rise in profits and turnover in the six months ended June 1986. Formerly a shopfitting manufacturer known as Wire and Plastic Products, WPP has become predominantly a sales promotion business since the arrival of former Saatchi & Saatchi finance director, Mr Martin Sorrell, and stockbroker Mr Preston Rabl in May 1985.

Pre-tax profits rose from £157,000 to £450,000 in the first half on turnover up from £1.96m to £4.46m. Earnings per share rose to 4.57p (2.28p) and WPP increased its interim dividend by 14 per cent to 1.25p.

The rights is intended to fund deferred cash payments due as a result of recent acquisitions and also to finance further purchases, WPP said. The company wants to maintain a strong balance sheet and avoid significant borrowing.

The new shares will be issued at 390p per share and have been underwritten by Noble Grossart and Panmure Gordon.

The merger with Grass Roots will be financed by the issue of 25.5m 5p nominal shares of Promotions House, the sales promotion group acquired by WPP in April. This would give Grass Roots just under 50 per cent of the enlarged company's shares.

Grass Roots was acquired by its management in 1982 from Royds Advertising, then part of the Extel Group. It made a pre-tax profit of £339,000 on sales of £7.4m in 1985 and had net assets of £568,000.

This purchase will double the size of WPP's employee motivation business and allow Promotions House to offer custom-made incentive schemes alongside its existing off-the-peg Bonusbond system.

WPP is also expanding Wire and Plastic's traditional shopfitting equipment business with the purchase of Refrigeration (Bournemouth), a distributor of shopfitting equipment which made pre-tax profits of £128,000 on sales of £615,000 in 1985.

WPP will pay 10 times Refrigeration's average post-tax profits for the four years ending December 1989 up to maximum of £1.5m.

Mr Rabl and Mr Sorrell will shortly become executive directors of WPP though they have been devoting most of their time to the company in recent months.

Bunzl in £15m tea bag tissue takeover

Bunzl, the acquisition-hungry paper and plastics group yesterday launched an agreed bid worth £14.8m for unquoted J. R. Crompton, the world's second largest teabag tissue supplier.

This move comes just a week after Bunzl's offer for six paper and transportation companies in the US, Australia, and Britain, which will eventually cost the company £25m.

Besides its teabag interests, Crompton is a developer of disposable tissue suitable for wear by hospital staff instead of linen gowns. Bunzl's subsidiary, Wycombe Marsh Paper, has already collaborated with Crompton on this project.

Crompton reported pre-tax profits of only £12,000 last year despite the fact that turnover was running at £29.1m, as the company was hit by increased hemp prices. At a cost of £14.8m, Bunzl is buying Crompton at a £4.8m discount to net tangible assets.

Holders of 297,621 ordinary Crompton shares, accounting for 33 per cent of the ordinary share capital, have irrevocably undertaken to accept Bunzl's bid so far.

Under the terms of the offer, each ordinary share of Crompton can be exchanged for £16.50 nominal of Bunzl unsecured loan stock, or the same amount in cash. Additionally, each 3.85 per cent net cumulative preference stock of Crompton can be exchanged for 8.3p in cash.

Gestetner profits £1m down and sales continue to decline

WITH SALES down from £208.01m to £191.77m, Gestetner Holdings saw its pre-tax profits fall by £1.1m to £5.12m in the six months ending May 3 1986, and directors reported that sales in the current half have continued to decline.

The group, which is involved in the production and sale of reprographic equipment, also announced yesterday the appointment of Sir Ronald Halstead to the board as a non-executive director. He is a past chairman and chief executive of Beecham Group and is deputy chairman of British Steel.

Commenting on the results, the directors said that after charging initial start-up costs in Gestetner Desktop Publishing of £0.8m, they were in line with the indications given at the annual meetings.

The response to its entry into desktop publishing was encouraging, they added, and they expected to expand its operations.

Despite lower earnings this time of 4.75p (4.93p) basic, and 3.92p (4.02p) fully diluted, the interim dividend is maintained at 0.5p on the ordinary and lifted to 0.071p (0.07p) on the capital shares.

Operating profits emerged lower at £7.62m (£8.79m). Geographically, operating profits rose only in the EEC countries other than the UK, with the results from Spain and Holland particularly pleasing, according to the directors.

The pre-tax result this time was after a reduced share of profits (less losses) of associates of £27,000 (£117,000), and lower interest received and investment income of £666,000 (£1.22m). Interest charges were £3.19m (£3.9m).

Tax took £2.97m (£4m)

● **comment**

Gestetner's share price remains suspended at heady heights by the thin thread of bid hopes. Everybody had expected the interim figures to be dull, because of start up costs on Desk Top but not as dull as an 18 per cent setback. Possibly even more worrying than the overall downturn is the way the geographical split shows profits bouncing all over the place. Even if the excuses are sound enough the overall impression is a lack of stability. Desk Top could set the group back £1.6m for the year as a whole and allowing for another depressed six months outside of Europe, Gestetner may have a difficult task to push profits much above £10m to £11m. The shares slipped 7p to 147p where a fully diluted prospective p/e of around 18.5 is far too high on trading grounds while Sir Ronald Halstead's appointment is hardly the action of a board looking for a friendly buyer. And if unfriendly buyers are not going to have a crack soon (after a decent interval to let these numbers sink into the market) they never will.

Children's Trust seeks research funds

The Children's Medical Charity Investment Trust is coming to the market to raise £858,000 net through an offer for subscription of up to 950,000 shares plus warrants at £1 each.

The trust aims to provide income over a ten year period to support medical research in the beneficial impact of vitamin B-12 on various children's illnesses. In 1996 the trust will be wound up and the capital appreciation paid over to shareholders.

The trust is to have an issued capital of £1m in £1 shares plus up to 200,000 warrants exchangeable for shares on a one for one basis from 1988 onwards. A subsidiary for short term share dealing is to be formed, financed by loans from the parent.

Most of the research work which the trust seeks to fund is carried out at the Department of Child Health, Westminster Children's Hospital and the Westminster Medical School. To date the charity has raised more than £350,000.

Cowan de Groot tops £1m and more growth ahead

Cowan de Groot, the toy maker and electrical wholesaler, yesterday revealed that its 1985-1986 profits had risen by 31 per cent and that in its enlarged form it was now poised for greater growth.

Last month the group took its first step in a new direction via the acquisition of Chart Foulks Lynch, a company engaged in education and training.

Integration of CFL was proceeding to plan and ways of expanding the new division were being examined. In all, the directors were looking to another year of progress for the enlarged group.

The year to April 30 1986 saw group turnover improve by £4.28m to £30.91m and profits at the pre-tax level from £887,000 to £1.17m.

Profits peaked at £2.57m in 1979-80, but they fell heavily the following year to £927,000 and bottomed at £135,000 in 1981-82.

Earnings for the year under review improved from 2.9p to 5.7p and a final dividend of 1.25p raises the total by 0.5p to 2.5p net per 10p share.

For the first time in a number of years, the toys and giftware sector produced an acceptable level of profitability. The directors said that was due to a large extent, to the effects of its reconstructed board after a long period of reorganisation.

The Richard Kelly subsidiary was concentrating on the expansion of its general hardware and garden furniture ranges, having closed its loss-making "clearance merchandise" section.

The directors said the most significant factor of the year was the appointment of Mr Philip Birch to the board and the new directions this would lead the group.

Mr Birch, chairman of Ward White, joined Cowan's board early this year along with his colleague Mr David de Carle and Mr John Matthews, a senior director of County Bank.

● **comment**

Since not long after the Soviet invasion of Afghanistan Cowan, de Groot found it hard to surpass the 40p mark. However, the advent of Philip Birch, chairman of Ward White but acting in a personal capacity as shareholder and board member, in January has changed all this. Now the shares are rising off a 65p plateau and the market is waiting to see where Mr Birchwi ll take Cowan next. The £5.2m Chart Foulks Lynch acquisition, completed on June 2, is the first move of the new era. The board is being fleshed out and generally the Cowan vehicle is being made shipshape but only time will tell if it is seaworthy. While it is hard to see the expanded Cowan turning in less than £1.6m pre-tax in 1986-87 the shares, up 5p to 72p, are moving forward on the Birch rather than the matrioshka factor. Those who want in for the ride will be in good company.

Mounting losses leave PoW £0.39m in red

LOSSES at Prince of Wales Hotels accelerated during the second six months and for the 1985 year as a whole, the company ran up a deficit of £390,000 at the pre-tax level.

The directors said yesterday that the year had proved difficult. They pointed out that turnover had decreased due to the sale of the Royal Albion Hotel and particularly poor weather, and added that interest and overheads had grown out of proportion to turnover.

The leisure division also continued to be a drag on profitability, but only two now remained, the others having been divested.

However, much had been achieved to enhance profit opportunity both in terms of refurbishment of the hotels and in sales and marketing, and the directors were encouraged by current trading.

Turnover for 1985 amounted to £13.76m (£14.14m). The loss compared with previous profits of £763,000.

Tax took £223,000 (£53,000) and extraordinary items £338,000 (£1.55m). The latter related to rationalisation and commutation payments to former directors.

The dividend is held at 1.5p, the final being 1p. Loss per share was 4.95p (earnings 5.76p).

Taddale Investments acquired a majority interest in PoW in 1984, but sold the holding a little more than a year later. The sale increased the stake of Quality Inns of the US from 20 per cent to 29.9 per cent.

YEOMAN INVESTMENT Trust's net asset value at June 30 1986 totalled 418.4p. That was and 75.2p up on the figure at end-December 1985. Gross revenue for the half year to June amounted to £1.18m (£875,416) and net revenue was £642,140 (£531,834) after tax of £272,840 (£246,120). Earnings reached 5.22p (4.32p). The interim dividend is 4.5p (3.5p)—the directors expect to recommend a final of not less than 6.5p (6.1p).

UK COMPANY NEWS

Change in policy behind better results at Romney

BY JOHN EDWARDS

A CHANGE in policy and management was behind improved results for the Romney Trust during the first half of the year, announced yesterday by Lazard Securities.

Romney's net asset value rose by 21.3 per cent during the period, outperforming the Morgan Stanley Capital Investment Index (MSCI), which rose by 20.6 per cent.

Earnings per share dropped to 2.03p, compared with 3.48p, although this was a result of a fall in interest on gilt and bond holdings that were exceptionally high last year and a new method of operating management fees—switching to a fee only basis instead of a mixture of fees and commissions. Nevertheless, the directors recommended an unchanged interim dividend of 1.65p.

Net available profits totalled £580,000 (£994,000).

The change of management policy, decided by the board, after the somewhat disappointing performance of the trust over the year and especially in 1981, was to convert the Romney Trust into an international capital growth fund, using the MSCI as a yardstick, while its sister investment trust, Raeburn, had switched to becoming a high yielding dividend income fund.

Pushing the changes hard, in an effort to improve performance, is the new chairman of both trusts, Mr David Hopkinson, better known as managing director of the M. & G. group. Mr Hopkinson took over the chairmanship in April from Mr S. G. Brooksbank, former head of the ill-fated UK Provident mutual life company, and is making his presence felt.

Mr Hopkinson said that the clearly defined objectives should help sharpen up both trust's performance record and give them greater appeal to institutions using investment trusts to meet specialist requirements. As part of the change in strategy the number of holdings is being sharply reduced from over 200 to 150.

A proliferation of holdings is "ludicrous," he claimed, and often impossible to cope with. It was far better to back your judgment in more selected companies. At the same time the percentage of funds in unquoted companies was being kept down to below 10 per cent.

Mr Hopkinson, who plans to retire from M. & G. in six months time but continue certain other activities, pointed out that Lazards' reputation as an investment trust manager was very much at stake. "Their heads are on the chopping block" he commented, although warning that investors in the trusts should not expect too much too soon.

London Trust's asset value falls

A REDUCTION from 107p to 85.6p in net asset value per share at London Trust, investment trust, was influenced by three principal factors, said the directors when they presented figures for the year to March 31 1986.

The factors were the premium paid on the redemption of the £15m debenture stock, a reduction in the valuation of investments in the existing portfolio, and a decline in the sterling value of dollar denominated investments.

The directors said that since the change of investment policy—aimed at capital growth in the venture capital sector of the US economy—it could be stated that, of the old portfolio, 79 per cent of the quoted stocks, and 30 per cent of the unquoted, had been sold as at March 31 1986, and 84 per cent of the quoted, and 55 per cent of the unquoted had been sold as at June 30.

Full details of the investments which have been made by the partnership with Hambrecht and Quist venture partners, would be included in London Trust's annual report and accounts at the end of August.

Up to the end of the financial year, the partnership had invested a total of US$17.8m (£11.79m) in 12 companies and, in the three months subsequent to the year-end, a further $11.7m in 11 companies.

London Trust's net revenue before tax was down from £4.64m to £2.09m. Gross revenue was £5.79m compared with £9.8m, and expenses were up from £1.06m to £2.6m. Interest charges were considerably lower at £1.1m against £4.1m.

Tax took £952,000 (£2.3m), and minorities £243,000 in result of venture capital investment partnership. There was an extraordinary debit this time of £482,000.

A first and final dividend of 0.75p (3p) will be paid. Stated earnings per 25p were lower at 0.93p (2.5p).

New-look Rotaflex shows 50% advance

Rotaflex, which is subject to a recommended £58.2m offer from the GTE Group of the US, yesterday reported a 50 per cent increase from £1.44m to £2.15m in pre-tax profits for the six months to June 30 1986. Stated earnings per 10p share rose from 8.4p to 12p, an increase of 43 per cent.

In view of the bid offer, Rotaflex said it would not be declaring an interim dividend—last time a payment of 1.4p net was made, followed with a final of 3.6p.

Mr Michael Frye, the executive chairman, said the group was on plan to achieve the 1986 forecast of pre-tax profits of at least £4.75m, and earnings per share of 28.2p set out in a document to shareholders last month.

Sales in the opening half increased by £3.6m to £28.77m, generated substantially by the continuing introduction to new products. Mr Frye said the results also reflected work carried out last year in increasing capacity and in streamlining certain manufacturing units.

He said the performance of Lumiance and Concord Lighting International (Australia) was particularly strong, and Le Dauphin started to contribute to profits for the first time.

First half tax increased from £425,000 to £777,000, and goodwill written off was down from £54,000 to £22,000, leaving the attributable profit at £1.35m compared with £955,000.

The principal activities of Rotaflex include manufacture of electric light fittings and systems, and manufacture and distribution of bathroom and shower appliances.

Jonas Woodhead's restructuring pays off

TURNOVER and overating results at Jonas Woodhead, engineer. were affected by businesses sold as part of the re-structuring programme. The group yesterday reported a fall from £60.99m to £53.41m in turnover in the year to March 31 1986, but operating profits climbed from £220,000 to £2.24m—costs and overheads were down from £60.78m to £51.17m.

Had the businesses sold been excluded from the results for the year to March 31 1985, the turnover and operating profit before interest for that year would have been £49.1m and £959,000 respectively.

Mr E. S. Simpson, the chairman, said there was good progress in the 1985-86 year, which represented a swing from the trading loss in 1984-85 of £1.18m to profits of £1.13m at the pre-tax level.

He added that after five years nominal dividend payment, the board was recommending a dividend of 1p. He said consolidated management accounts for the first quarter of the current year showed a profit in excess of the corresponding period last year and were better than budget.

He was confident that trend would continue, including a return to the payment of an interim dividend in 1986-87.

Reviewing the pattern of results at its main operating centres, Mr Simpson said the Sheffield and Aycliffe spring plants made a good contribution to the springs and forgings division. The RSR division returned a much improved result, and the French subsidiary, Amortex, had a very good year.

The considerable reduction in bank borrowings from £9.5m to £6.4m had a beneficial effect in interest terms, and the closing stock figure of £11.5m stood for comparison with £14.8m the previous year. Debtors at £12.2m compared with £13.65m, whereas what appeared to be a nominal increase in creditors, £14.26m against £14.25m, was explained by the accrued effect of disposals.

During the year, the group had to respond to takeover negotiations. Those approaches were aborted when it was announced that Carclo Engineering Group had bought 16.49 per cent of Woodhead's issued ordinary share capital from IEP Securities.

Tax for the year was higher at £337,000 compared with £169,000, leaving attributable profits at £794,000 (£7.86m loss, which included an extraordinary debit of £6.51m). After dividends of £160,000 (£28,000), retained profits came out at £634,000 compared with a loss of £7.9m. Stated earnings per 25p share were 5.3p (9.2p loss).

UK COMPANY NEWS

Hampson to pursue an active acquisition policy

Hampson Industries yesterday declared open season on the acquisition front after pursuing a policy of consolidation and organic growth over the past few years.

The company, which has interests in engineering and industrial cleaning, announced its second acquisition in less than a week along with full year figures showing a 31 per cent increase in taxable profits from £1.31m to a record £1.72m.

Erlson Engineering, a Skelmersdale-based maker of high-precision engineering components, is Hampson's latest take-over target. Contracts have been exchanged and the deal will be satisfied by £379,880 in cash and 3.64m Hanson shares —if Erlson's profits exceed £290,000 in each of the next three years a deferred payment of 1.5 times excess profits will be made.

Erlson's profits in 1985-86 were £292,000 pre-tax and net assets at the year-end totalled £827,000. Hampson's shares closed at 39½p, up 4p, valuing the Erlson deal at a minimum £1.82m.

This purchase follows an announcement on Monday that Hampson had contracted to buy for a maximum £592,704 cash between 93 and 94.6 per cent of IS Parts International, a New Jersey-based maker and distributor of machinery parts to the glass container industry.

Hampson said yesterday that the time had now come to be rather more active on the acquisition front, adding that I. S. Parts and Erlson were not the only acquisitions under consideration.

Group turnover in the year to end-March 1986 advanced from £22.02m to £24.65m and pre-tax profit margins improved by a full point to 7 per cent.

A higher final dividend of 0.9p (0.75p) was proposed, which would lift the total payout to 1.25p (1.05p) — a one-for-ten scrip issue was also proposed.

The company said that the final dividend represented a higher percentage increase over last year's dividend than the interim declared. The cover was still very comfortable — earnings rose by 1.25p to 4.15p per share — and a progressive dividend policy would continue to be pursued.

On prospects, the board said that management accounts for the early months of the current year showed an improvement and thought it not unlikely that the year would show further progress.

The balance sheet would again show an improvement in liquidity, and minimal gearing in relation to substantial increased shareholders' funds.

Record £6m for Wagon Industrial

With turnover showing an improvement of £8.14m at £83.42m Wagon Industrial Holdings saw its profits for the 1985-1986 year rise from £4.71m to a record £6.14m pre-tax.

The UK companies did particularly well and overseas results were helped by a considerable recovery at Vinco, the French offshoot.

The directors said the group continued to be in a strong financial position and was receiving the benefit of interest on substantial cash surpluses in the UK.

Earnings for the year to March 31 1986 improved to 18.51p (11.96p) and a final dividend of 5p (4.25p) makes a total of 8.5p (7.25p) per 25p share.

The Shropshire-based group is engaged in material handling and storage, office equipment and engineering.

Electronic Machine

A £10,000 fall to £18,000 in pre-tax profits was reported by Electronic Machine Company for the six months to March 31 1986. Turnover of this holding company — its interests include manufacture of optical components and systems, precision engineering, tracking radar and electronic devices and controls — improved from £919,000 to £1.08m.

The directors said that overall, the group had a sound balance sheet.

Tax for the half year was £4,000 against £5,000, and there was an extraordinary credit this time of £21,000, which was profit on the sale of a freehold property. Stated earnings per 5p share were lower at 0.57p (0.92p).

Menvier-Swain exceeds forecast with £1.64m

MENVIER-SWAIN, an Oxfordshire-based maker of self-contained emergency lighting products, which came to the USM in March 1986, yesterday announced a jump in pre-tax profits from £853,000 to £1.64m for the year to end-April. This exceeds the £1.58m forecast made at the time of flotation.

The comparative result for 1984-85 was after charging a non-recurring £403,000, being directors' fees and pension contributions, and this should be added back to give a fairer comparison of £1.26m pre-tax, the directors said.

Earnings per 5p share were shown at 9.9p (4.6p). The forecast was 8.9p. A final dividend of 1.7p is proposed.

Turnover increased by 26 per cent in the period, from £9.54m to £12.03m, and generated an operating profit of £1.68m (£858,000).

Looking to the future Mr Charles Swain, the chairman, said that the start to the current year had been encouraging, with saes albead of the comparable period and exports contributing strongly. The capital investment programme continued with £130,000 committed to additional plant for Menvier Hybrids, and £250,000 to be spent on building improvements at one of the new factories. "I am confident of achieving satisfactory results in the coming year," he said.

Two of the group's three areas of activity contributed higher profits this time, with emergency lighting and fire alarms at £1.4m (£1.07m), and thick film products at £84,000 (£21,000). But electrical and mechanical services and other services dropped from £164,000 to £148,000.

The tax charge rose from £393,000 to £629,000, and minorities again took £3,000.

An extraordinary £92,000 debit was the balance of the costs of flotation not written off to the share premium account.

Expansion trims Spafax

EXPANSION COSTS at Spafax Television Holdings trimmed profits in the opening six months, but the directors said yesterday that the programme would greatly enhance the company's long-term prospects.

Turnover for the six months to March 31 1986 pushed ahead from £935,000 to £1.17m, but pre-tax profits slipped from £223,000 to £196,000.

The money being spent involves expansion of the core business of making corporate video programmes and the development of six associated areas.

A two-year contract from British Airways has been secured to supply all of its in-flight video entertainment and associated advertising. The directors said the value to Spafax of the programming, before advertising revenue, would be £500,000 each year.

First-half expenditure amounted to £97,000. Earnings emerged at 3.18p (3.39p). The company's 25p shares are traded on the USM.

Hanson disposal

Hanson Trust has sold its 75 per cent interest in Circle K (UK), acquired with the Imperial Group. The business began trading earlier this year operating retail convenience stores in the UK.

The purchaser is the minority shareholder and franchiser, Circle K International Inc of Phoenix, Arizona.

The proceeds from the sale totalled £1.65m comprising loan repayments and the consideration for the shares.

RIVER AND Mercantile Trust earned £1.42m (£1.27m) net in the first half of 1986. Earnings per share were 2.89p (2.6p) and net asset value was 207.1p (161.8p). Interim dividend 2p (1.8p).

CONTRACTS

Wimpey wins £11m

Nearly £11m worth of contracts have been awarded WIMPEY CONSTRUCTION UK. Peel Investments (UK) has awarded a £2.43m contract for two retail warehouse units in Bath Road, Brislington, Bristol.

Work has begun on a £2m design-and-build contract for J. T. Baylis and Co for a single steel-framed, metal clad warehouse unit in Link Road, Gibbs Causeway, Bristol. Hartwells Group has awarded Wimpey a £1.3m contract for the construction of a Texas Homecare single-storey retail unit at Seacourt Tower, Botley, Oxford.

A £1.6m contract has been awarded by the Property Services Agency for the construction of a reinforced concrete brick-clad air traffic control tower at RNAS Culdrose, Helston, Cornwall. The project is to be completed in December 1987. A £2.15m contract has been won to build a materials management centre and offices for British Telecom in Highwood Lane, Patchway, Bristol. The building is to be steel-framed with reinforced concrete beams and a reinforced concrete floor. The store is to be fitted out with racking and bins, and engineering services for the offices will include heating, plumbing, electrical and sprinkler systems.

*

PEEBLES ELECTRICAL MACHINES, a part of NEI Peebles, has won a contract worth more than £2m for a complete mine winder for a new gold mine in Ghana. The winder will be installed at the New Justice mine of the Ashanti Goldfields Corporation early in 1987 and will initially be used to help sink the mine shaft from the 30 metre level, a job which will take two years to complete. The winder will be of the double-drum clutched type, the 18ft diameter drums being driven by a 2,500kW 47.75 rev/min overhung armature d.c. motor, supplied from an 11kV synchronous induction motor/generator set. NEI Peebles is part of Northern Engineering Industries.

*

Statkraft, the Norwegian state power board, has awarded a contract to ASEA TRANSMISSION for a thyristor-controlled compensator for the Verdal 300 kV substation in central Norway. The contract includes an extension of the SVC (static VAr compensator) plant in the Kvandal substation, which was supplied earlier by ASEA. Total value of this contract is about SKr 50m (£4.5m).

*

FOREST & SAWMILL EQUIPMENTS (ENGINEERS) has secured orders worth over US$1.2m (£779,000) for export to Ghana. They are funded by Ghana's National Investment Bank's under the World Bank/IDA credits to Ghana for the rehabilitation of its timber industries. The contracts cover the supply of equipment to Modern Furniture of Accra; Fyne, of Kumasi; and Unique Furnishings, and Pergamon Joinery, of Accra. The equipment covers a bandmill with saw maintenance equipment, moulders and woodworking machinery from Wadkin, fork lift trucks from Lansing, kiln dryers from G. F. Wells and other related machines.

*

The department of computing services of the Metropolitan Police has, through CCTA—the Government purchasing agency, placed an order with DIGITUS for the supply of computer hardware and software worth around £1.1m. Digitus will be supplying 90 systems for Topsy (territorial operations systems projects) which will assist in the management of resources and analysis of crime in each of the 76 divisions and eight area headquarters of the Metropolitan Police. The Topsy systems will run under the Unix (TM) operating system. Digitus will be installing the systems in the Metropolitan Police divisions at a rate of between three and six per week during a period from September 1986 to March 1987.

*

BURROUGHS has won a £1m contract to supply the Yorkshire Electricity Board with equipment to replace existing point of sale terminals in the YEB's 64 shops and offices. The contract covers the supply of a customised hardware/software package based on 182 Burroughs B25 intelligent workstations which will be installed over the next six months. The equipment will interface on-line to YEB's ICL mainframes running ICL CO3 emulation.

AAC Transvaal

Gold mining companies administered by Anglo American Corporation

All companies are incorporated in the Republic of South Africa

Reports of the Directors for the quarter ended June 30 1986

WESTERN DEEP LEVELS

Western Deep Levels Limited
Registration No 57/02349/06
ISSUED CAPITAL: 27 194 115 shares of R2 each (previously 25 550 000)

	Quarter ended June 1986	Quarter ended March 1986	Six months ended June 1986
OPERATING RESULTS			
Gold			
Totals:			
Area mined—m² 000	[illegible]	[illegible]	358
Tons milled—000	[illegible]	[illegible]	2 629
Yield—g/t	[illegible]	[illegible]	7.12
Production—kg	[illegible]	[illegible]	18 711
Cost—R/m² mined	[illegible]	[illegible]	384.58
—R/ton milled	[illegible]	[illegible]	75.52
—R/kg produced	[illegible]	[illegible]	10 611
PRICE RECEIVED ON SALES			
Gold—R/kg	[illegible]	[illegible]	24 529
—$/oz	[illegible]	[illegible]	342
FINANCIAL RESULTS	R000	R000	R000
Turnover	[illegible]	[illegible]	471 106
Gold—revenue	[illegible]	[illegible]	457 376
—costs	[illegible]	[illegible]	198 541
—profit	[illegible]	[illegible]	258 835
Uranium oxide profit	[illegible]	[illegible]	7 194
Net sundry income	[illegible]	[illegible]	7 418
Profit before taxation and State's share of profit	132 219	141 228	273 447
Provision for taxation and State's share of profit	27 285	50 943	78 228
Profit after taxation and State's share of profit	104 934	90 285	195 219
Appropriation for capital expenditure	63 067	60 049	123 116
Profit available	41 867	30 236	72 103
Dividend—interim			69 345
Retained profit for the six months			2 758
Earnings per share—cents (see note)	154	111	285
Capital expenditure—R000	69 388	65 220	134 608

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Ventersdorp Contact reef							
Quarter ended June 1986	3 237	34	26.6	14.74	392	—	—
Quarter ended March 1986	3 305	26	11.2	20.09	225	—	—
Six months ended June 1986	6 542	60	19.9	16.08	320	—	—
Carbon Leader reef							
Quarter ended June 1986	6 784	104	44.2	51.88	2 293	0.78	34.60
Quarter ended March 1986	6 124	—	—	—	—	—	—
Six months ended June 1986	12 908	104	44.2	51.88	2 293	0.78	34.60

DIVIDEND

The interim dividend of 255 cents a share in respect of the year ending December 31 1986 was declared on July 17 1986, payable to members registered on August 8 1986 and will be paid on September 12 1986.

CAPITAL EXPENDITURE COMMITMENTS

Orders placed and outstanding on capital contracts as at June 30 1986 totalled R52 755 000.

NO. 1 SHAFT AND PLANT COMMISSIONING

The new No. 1 shaft and plant were successfully commissioned during the quarter when 114,000 tons of ore were hoisted and delivered to the plant for treatment.

GRADE

Recovered grade dropped by 9.8 per cent over the quarter as a result of lower grades or dump material treated at No. 3 plant and lock-up of gold in the new No. 1 plant. This absorbsion is expected to continue at a diminishing rate in the next quarter.

INCREASE IN ISSUED SHARE CAPITAL AND TERMINATION OF LISTINGS OF CERTAIN OF THE 12 PER CENT UNSECURED DEBENTURES AND SHARE OPTIONS

Attention is directed to a notice published in the press on July 4 1986 relating, inter alia, to:

(i) the increase in the issued share capital of the company by 1 644 115 ordinary shades of R2 each, and the listing thereof by The Johannesburg Stock Exchange and the Stock Exchange in London.
(ii) the termination of the listing of 101 865 321 12 per cent unsecured debentures and:
(iii) the termination of the listing of 1 644 115 share options.

EARNINGS PER SHARE

The additional shares issued rank for the interim dividend and the earnings per share have been calculated on the 27 194 115 shares now in issue.

For and on behalf of the board
E. P. GUSH
T. L. PRETORIUS } Directors

July 18 1986

ERGO

East Rand Gold and Uranium Company Limited
Registration No 71/07001/06
ISSUED CAPITAL: 42 078 712 shares of 50 cents each

	Quarter ended June 1986	Quarter ended March 1986	Year ended March 1986
COMPANY RESULTS			
Material treated—tons	5 974 000	5 275 000	20 498 000
Gold production—kg	2 089	2 249	8 310
Uranium production—kg	39 896	41 091	160 140
Acid production—tons	119 683	125 871	480 718
PRICE RECEIVED ON SALES			
Gold—R/kg	24 209	24 919	24 074
—$/oz	339	344	325
	R000	R000	R000
Turnover	63 108	66 937	236 158
Revenue	63 108	66 937	236 155
Cost of sales	41 036	39 521	137 785
Operating profit	22 072	27 416	98 370
Net sundry income	434	1 037	2 866
	22 506	28 453	101 236
Deduct:			
Royalty	258	178	1 394
Profit before taxation	22 248	28 277	99 842
Provision for taxation	5 482	(6 810)	5 195
Profit after taxation	16 766	35 087	94 647
Appropriation for capital expenditure	8 027	27 746	57 343
Profit available	8 739	7 341	37 304
Dividend—interim			15 762
—final			19 987
Retained profit for the year			1 555
Earnings per share—cents	21	17	85
Capital expenditure—R000	9 448	38 414	72 727
ERGO DIVISION			
Slimes treated—tons	5 371 000	4 759 000	18 675 000
Gold production—kg	1 595	1 826	6 616
Uranium production—kg	39 896	41 091	160 140
Acid production—tons	112 945	120 388	461 701
	R000	R000	R000
Revenue—gold and silver	37 612	46 731	161 314
—uranium and acid	13 039	9 808	33 441
—total	50 651	56 539	194 755
Cost of sales	31 149	31 167	107 325
Operating profit	19 502	25 372	87 430
Net sundry income	429	1 033	2 849
Profit before taxation	19 931	26 405	90 279
Capital expenditure	3 055	2 189	11 592
SIMMERGO DIVISION			
Sand treated—tons	564 000	477 000	1 707 000
Ore milled—tons	39 000	39 000	116 000
Gold production—kg	494	423	1 694
Acid production—tons	6 738	5 486	19 017
	R000	R000	R000
Revenue—gold and silver	12 081	9 974	40 270
—acid	376	424	1 130
—total	12 457	10 398	41 400
Cost of sales	9 887	8 354	30 460
Operating profit	2 570	2 044	10 940
Net sundry income	5	4	17
Deduct:			
Royalties to Simmer and Jack Mines Limited	258	178	1 394
Profit before taxation	2 317	1 872	9 563
Capital expenditure	747	712	2 848
DAGGAFONTEIN DIVISION			
Capital expenditure	5 646	32 513	58 287

PRODUCTION—ERGO DIVISION

In spite of the higher slimes treatment rate in the quarter, gold production from the Ergo Division was lower than the previous quarter, as a result of anticipated lower head grades and an increase in gold-in-process inventory.

DIVIDEND

The final dividend of 47.5 cents a share in respect of the year ended March 31 1986 was declared on April 17 1986, payable to members registered on May 9 1986, and was paid on June 13 1986.

CAPITAL EXPENDITURE COMMITMENTS

Orders placed and outstanding on capital contracts as at June 30 1986 totalled R33 921 000, which included an amount of R929 000 for the Simmergo Division and R30 743 000 for the Daggafontein Division.

For and on behalf of the board
E. P. GUSH
T. L. PRETORIUS } Directors

July 18 1986

VAAL REEFS

Vaal Reefs Exploration and Mining Company Limited
Registration No 05/17354/06
ISSUED CAPITAL: 19 000 000 shares of 50 cents each

	Quarter ended June 1986	Quarter ended March 1986	Six months ended June 1986
OPERATING RESULTS			
Gold			
Totals:			
Area mined—m² 000	557	527	1 084
Tons milled—000	2 881	2 908	5 789
Yield—g/t	7.21	7.23	7.22
Production—kg	20 761	21 036	41 797
Cost—Complex			
—R/m² mined	395.35	399.89	397.61
—R/ton milled	76.43	72.48	74.45
—R/kg produced	10 607	10 021	10 312
Uranium oxide			
Totals:			
Tons treated—000	2 328	2 276	4 604
Yield kg/t	0.21	0.22	0.21
Production—kg	484 715	490 625	975 340
PRICE RECEIVED ON SALES			
Gold—R/kg	24 661	25 282	25 023
—$/oz	342	353	348
FINANCIAL RESULTS	R000	R000	R000
Turnover	562 873	571 491	1 134 364
Gold—revenue	493 520	534 207	1 027 727
—costs	220 208	210 797	431 005
—profit	273 312	323 410	596 722
Uranium oxide profit	41 949	21 804	63 753
Tribute profit	16 665	20 329	36 994
Net sundry income	11 461	15 197	26 658
Dividend from Southvaal Holdings Limited—interim declared July 1986	24 700	—	24 700
	368 087	380 740	748 827
Deduct:			
Royalties to:			
—Southvaal Holdings Limited	85 792	99 823	185 615
—The Afrikander Lease Limited	504	210	714
—Anglo American Gold Investment Company Limited	7	33	40
Profit before taxation and State's share of profit	281 784	280 674	562 458
Provision for taxation and State's share of profit	116 242	168 366	284 608
Profit after taxation and State's share of profit	165 542	112 308	277 850
Appropriation for capital expenditure	63 420	26 717	90 137
Profit available	102 122	85 591	187 713
Dividend—interim			171 000
Retained profit for the six months			16 713
Earnings per share—cents	538	450	988
Capital expenditure—R000	61 950	28 421	90 371
CONSOLIDATED PROFIT			
Consolidated profit, after providing for taxation and State's share of profit, of the company and its wholly-owned subsidiary, Western Reefs Exploration and Development Company Limited	165 562	112 314	277 876
OPERATING AND FINANCIAL RESULTS			
North Lease area			
Gold			
Area mined—m² 000	318	306	624
Tons milled—000	1 570	1 643	3 213
Yield—g/t	6.55	6.58	6.56
Production—kg	10 285	10 807	21 092
Cost—R/m² mined	377.50	403.87	390.43
—R/ton milled	76.46	75.22	75.83
—R/kg produced	11 672	11 435	11 551
Uranium oxide			
Tons treated—000	1 097	1 109	2 206
Yield kg/t	0.17	0.19	0.18
Production—kg	188 762	214 977	403 739
Gold—revenue	243 687	274 878	518 565
—costs	120 045	123 583	243 628
—profit	123 642	151 295	274 937
Uranium oxide profit	18 812	9 887	28 699
Tribute profit	5 812	3 813	9 625
	148 266	164 995	313 261
Capital expenditure	36 071	10 452	46 523
South Lease area			
Gold			
Area mined—m² 000	203	186	389
Tons milled—000	1 135	1 096	2 231
Yield—g/t	8.97	9.09	9.03
Production—kg	10 184	9 962	20 146
Cost—R/m² mined	464.77	439.62	452.75
—R/ton milled	83.13	74.61	78.94
—R/kg produced	9 264	8 208	8 742
Uranium oxide			
Tons treated—000	1 231	1 167	2 398
Yield kg/t	0.24	0.24	0.24
Production—kg	295 953	275 648	571 601
Gold—revenue	242 496	252 623	495 119
—costs	94 349	81 769	176 118
—profit	148 147	170 854	319 001
Uranium oxide profit	22 921	11 766	34 687
Tribute profit	10 853	16 516	27 369
	181 921	199 136	381 057
Deduct:			
Capital expenditure	25 347	17 060	42 407
Repayment of loan and interest to Southvaal Holdings Limited	243	243	486
Repayment of consumer loan	344	338	682
Surplus subject to royalty	155 987	181 495	337 482
Royalty to Southvaal Holdings Limited (55 per cent of surplus)	85 792	99 823	185 615
Capital expenditure	25 347	17 060	42 407
Afrikander Lease area			
Area mined—m² 000	36	35	71
Tons milled—000	176	169	345
Yield—g/t	1.66	1.58	1.62
Production—kg	292	267	559
Cost—R/m² mined	161.58	155.57	158.58
—R/ton milled	33.03	32.22	32.63
—R/kg produced	19 911	20 393	20 141
Gold Section			
Gold—revenue	7 337	6 706	14 043
—costs	5 814	5 445	11 259
—profit	1 523	1 261	2 784
Deduct:			
Ongoing capital expenditure	509	801	1 310
Recoupment of initial capital expenditure	101	101	202
Provision for taxation	248	74	322
Available for royalty	665	285	950
Provision for royalties to:			
The Afrikander Lease Limited	392	138	530
Anglo American Gold Investment Company Limited	7	33	40
(The royalties are payable only when the results of the operations for the full year have been determined)			
Capital expenditure	509	801	1 310
Uranium Section			
Uranium oxide profit	216	151	367
Royalty to The Afrikander Lease Limited	112	72	184
Capital expenditure (Metallurgical plant)	23	108	131

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
NORTH LEASE AREA							
Vaal reef							
Quarter ended June 1986	12 936	1 014	49.2	32.09	1 579	0.88	43.12
Quarter ended March 1986	14 749	1 242	53.4	40.49	2 162	0.96	51.28
Six months ended June 1986	27 687	2 256	51.6	36.82	1 900	0.92	47.61
Ventersdorp Contact reef							
Quarter ended June 1986	637	322	182.7	3.85	704	0.04	7.84
March 1986	679	392	187.1	4.06	759	0.04	7.47
Six months ended June 1986	1 316	714	185.1	3.97	734	0.04	7.64
Area under tribute to and developed by Hartebeestfontein Gold Mining Company Limited (not included in totals)							
Vaal reef							
Quarter ended June 1986	172	40	81.1	16.06	1 609	0.14	12.45
Quarter ended March 1986	456	60	96.6	19.24	1 859	0.34	33.27
Six months ended June 1986	628	100	93.6	18.79	1 759	0.27	24.94
SOUTH LEASE AREA							
Vaal reef							
Quarter ended June 1986	15 361	1 038	98.1	22.38	2 195	0.82	80.60
Quarter ended March 1986	13 636	594	100.5	24.46	2 458	0.77	77.56
Six months ended June 1986	28 997	1 632	99.0	23.14	2 291	0.80	79.49
"C" reef							
Quarter ended June 1986	661	48	23.6	55.09	1 267	1.14	26.22
Quarter ended March 1986	577	70	41.3	43.97	1 816	1.01	41.56
Six months ended June 1986	1 238	118	33.9	46.96	1 592	1.04	35.32

VAAL REEFS—continued

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Area under tribute to and developed by Buffelsfontein Gold Mining Company Limited (not included in totals)							
Vaal reef							
Quarter ended June 1986	663	84	117.7	27.70	3 260	0.54	63.28
Quarter ended March 1986	834	158	96.1	28.15	2 705	0.71	68.63
Six months ended June 1986	1 497	242	103.6	27.96	2 897	0.64	66.77
AFRIKANDER LEASE AREA							
(Gold section) Jeppestown Rietkuil No. 5 reef							
Quarter ended June 1986	769	254	138.7	1.82	252	0.00	0.00
Quarter ended March 1986	849	194	111.3	1.89	210	0.00	0.03
Six months ended June 1986	1 618	448	126.8	1.84	233	0.00	0.01
Totals							
Vaal reef (excluding tribute areas)							
Quarter ended June 1986	28 299	2 052	74.8	25.55	1 891	0.84	62.08
Quarter ended March 1986	28 385	1 836	68.7	32.87	2 258	0.87	59.78
Six months ended June 1986	56 684	3 888	71.5	28.87	2 064	0.85	60.99

DIVIDEND

The interim dividend of 900 cents a share in respect of the year ending December 31 1986 was declared on July 17 1986, payable to members registered on August 8 1986 and will be paid on September 12 1986.

CAPITAL EXPENDITURE COMMITMENTS

Orders placed and outstanding on capital contracts as at June 30 1986 totalled R64 105 000.

For and on behalf of the board
E. P. GUSH
T. L. PRETORIUS } Directors

July 18, 1986

SOUTHVAAL HOLDINGS LIMITED
Registration No. 66/11806/06
and THE AFRIKANDER LEASE LIMITED
Registration No. 01/06955/06
The attention of shareholders of these companies is directed to the report of VAAL REEFS EXPLORATION AND MINING COMPANY LIMITED

S.A. LAND

The South African Land & Exploration Company Limited
Registration No 01/01879/06
ISSUED CAPITAL: 9 182 700 shares of 35 cents each

	Quarter ended June 1986	Quarter ended March 1986	Six months ended June 1986
OPERATING RESULTS			
Gold			
Tons milled—000	632	646	1 278
Yield—g/t	0.71	0.68	0.70
Production—kg	452	441	893
Production, transport and screening costs			
—R/ton milled	8.61	8.80	8.71
—R/kg produced	12 042	12 896	12 464
PRICE RECEIVED ON SALES			
Gold—R/kg	24 073	24 179	24 147
—$/oz	341	341	341
FINANCIAL RESULTS	R000	R000	R000
Turnover	11 282	10 362	21 644
Gold—revenue	11 292	10 362	21 654
—production costs	3 166	3 025	6 189
—transport and screening costs	2 283	2 658	4 941
	5 849	4 673	10 524
Less cost of dump material	3 315	2 588	5 903
Gold profit	2 534	2 087	4 621
Net sundry income	395	442	837
Profit before taxation	2 929	2 529	5 458
Provision for taxation	1 691	2 110	3 801
Profit after taxation	1 238	419	1 657
Recoupment of capital expenditure	(140)	(969)	(1 109)
Profit available	1 378	1 388	2 766
Dividend—interim			2 525
Retained profit for the six months			241
Earnings per share—cents	15	15	30
Capital expenditure—R000	(140)	(969)	1 109

DIVIDEND

The interim dividend of 27.5 cents a share in respect of the year ending December 31 1986 was declared on July 17 1986 payable to members registered on August 8 1986 and will be paid on or about September 12 1986.

CAPITAL EXPENDITURE COMMITMENTS

There were no orders placed or outstanding on capital contracts as at June 30 1986.

For and on behalf of the board
T. L. PRETORIUS
E. P. GUSH } Directors

July 18 1986

ELANDSRAND

Elandsrand Gold Mining Company Limited
Registration No 74/01477/06
ISSUED CAPITAL: 96 619 825 shares of 20 cents each

	Quarter ended June 1986	Quarter ended March 1986	Six months ended June 1986
OPERATING RESULTS			
Gold			
Area mined—m² 000	96	92	188
Tons milled—000	459	462	921
Yield—g/t	6.16	5.90	6.03
Production—kg	3 084	2 727	5 811
Cost—R/m² mined	361.33	353.01	357.24
—R/ton milled	69.29	70.65	69.95
—R/kg produced	11 313	11 970	11 569
PRICE RECEIVED ON SALES			
Gold—R/kg	24 687	24 790	24 737
—$/oz	344	346	345
FINANCIAL RESULTS	R000	R000	R000
Turnover	74 477	67 206	141 683
Gold—revenue	74 477	67 206	141 683
—costs	34 576	32 641	67 217
—profit	39 901	34 565	74 466
Net sundry income	3 074	4 042	7 116
Profit	42 975	38 607	81 582
Appropriation for capital expenditure	12 282	12 427	24 709
Profit available	30 693	26 180	56 873
Dividend—interim			53 141
Retained profit for the six months			3 732
Earnings per share—cents			
—before appropriation for capital expenditure	44	40	84
—after appropriation for capital expenditure	32	27	59
Capital expenditure—R000	17 206	15 596	32 802

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t
Elsburg reef					
Quarter ended June 1986	115	90	129.7	1.26	164
Quarter ended March 1986	43	10	171.4	0.41	71
Six months ended June 1986	158	100	133.9	1.15	154
Ventersdorp Contact reef					
Quarter ended June 1986	6 335	982	62.0	19.55	1 212
Quarter ended March 1986	5 732	644	72.1	15.20	1 096
Six months ended June 1986	12 067	1 626	66.0	17.67	1 166

DIVIDEND

The interim dividend of 55 cents a share in respect of the year ending December 31 1986 was declared on July 17 1986, payable to members registered on August 8 1986 and will be paid on September 12 1986.

CAPITAL EXPENDITURE COMMITMENTS

Orders placed and outstanding on capital contracts as at June 30 1986 totalled R12 617 000.

For and on behalf of the board
E. P. GUSH
T. L. PRETORIUS } Directors

July 18 1986

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

NOTE

DEVELOPMENT

Development values represent actual results of sampling, no allowances having been made for adjustments necessary in estimating ore reserves.

LONDON OFFICES: 40 HOLBORN VIADUCT, EC1P 1AJ

APPOINTMENTS

Reorganisation at EMI Music

EMI MUSIC WORLDWIDE is reorganising management structure. Following the request by Mr Ken East, president and chief operating officer, EMI Music Europe & International, that he should move to a special consultative position from January 1, a new organisational structure will be established for EMI Music Worldwide between September 1 and January 1. Mr Alexis Rotelli, managing director, EMI Italy, is appointed managing director, Europe, with responsibility for Europe including Greece and the Middle East but excluding the UK and Eire. He also assumes responsibility for EMI Music Publishing with effect from January 1. Mr David Stockley, managing director, EMI & France, becomes managing director for international responsible for Central and Latin America, Africa, the Indian sub-continent, South East Asia and Australasia.

Mr Rupert Perry is confirmed in his position as managing director, UK and Eire, and from January 1 will assume responsibility for Picture Music International and RAK Records. Mr Richard Burkett is appointed managing director, manufacturing and operations, Europe & International, with responsibility for EMI Music's manufacturing and distribution activities. Mr Lee Simpson, having completed his period of secondment to EMI Music Europe & International, will return to Los Angeles as vice president operations, Capitol/EMI.

★

LAZARD BROTHERS & CO has made the following appointments: Mr Nigel Brian, formerly group financial director of Fairey Holdings, has been appointed deputy finance director. Mr Mark Francis and Mr Lars McBride, both until now managers in the corporate finance and international division, have been appointed assistant directors. Mr Neil Lakes, formerly assistant group treasurer of National Westminster Bank, will also become an assistant director on September 1.

★

Mr Jean Leon Blondel, chairman of Kredietbank Luxembourgeoise, which recently acquired a 25.5 per cent stake in BROWN SHIPLEY HOLDINGS, is to join Brown Shipley's board. Mr Jean Adant, executive director of Kredietbank Luxembourgeoise, will become a director of both Brown Shipley Holdings and Brown Shipley & Co, its merchant banking subsidiary. Mr Robert Carefull, a director of Brown, Shipley & Co since 1981 and finance director since 1984, will take up the new post of group finance director. He will be responsible for accounting and financial control in both the banking and the insurance groups. He will take over the group accounting responsibility from Mr John Highet who has been secretary and group chief accountant since 1972 and is now approaching retirement.

★

Mr David Pollington, managing director of Mediscus Products, joins the board of parent company, LINGARD INDUSTRIAL HOLDINGS. Also joining the Lingard board as a non executive director is Mr Peter Aspinall. He is a consultant to Chloride International and a director of Whitworths Food Group and S. G. Magnets.

★

At TOUCHE ROSS & CO, Mr Richard Blackburn will be returning to the London office on August 1 where he will become responsible primarily for clients in the banking and financial services sector. He is succeeded as regional partner for Scotland by Mr Charles Andersen and Mr Marshall Miller will become partner in charge of the firm's Glasgow office.

★

LOWE HOWARD-SPINK & BELL has appointed Mr Nicholas Peck as group financial controller from September. Mr Peck was financial director at Doyle Dane Bernbach (London).

★

Mr Paul A. Barry has been appointed finance director of CHARTERED TRUST. He has also been appointed to the board of Chartered Trust's subsidiary company, Howells Motors. He was appointed chief accountant of Chartered Trust in 1980 and financial controller in 1982.

★

Mr Barry Blackburn, managing director of NASHUA COPYCAT (the UK subsidiary of the Nashua Corporation) has been appointed chairman of the board following the retirement of Mr Roy Parkinson. Mr Blackburn was managing director of the company's South African operations.

★

Mr Roy Murphy has been appointed managing director of JAMES HALSTEAD, the floor-covering subsidiary of the James Halstead Group. Mr Murphy joins from the Chloride Group.

★

AMERICAN EXPRESS BANK LIMITED (AEB), the wholly-owned international banking arm of American Express has elected Mr Alan C. Langley, Mr Ian R. Jardine and Mr L. Alan Bawden, executive vice presidents.

★

NEIL AND SPENCER HOLDINGS has appointed Mr Charles Wardle to the board.

★

Mr Peter Parsons has been promoted to managing director for Europe, the Middle East and Africa.

Mr A. R. D. Briscoe has been appointed to the board of HAROLD RATTLE & CO. Harold Rattle & Co is the market-making subsidiary of Credit Suisse Buckmaster & Moore.

★

Mr John Williams has been appointed managing director of TCS (UK). Mr Williams was formerly general manager of TCS and Russell Davies Services.

★

Following the consolidation of the three businesses within the IML AIR SERVICES GROUP—IML Air Couriers, IML Air Cargo and IMNL (Nigeria)—four of the senior managers have been appointed to the group's main board: Mr Derek Moore, franchise director, Mr Terry Hales, retail commercial director, Mr John Gordon-Smith, operations director, and Mr Ian Taylor, commercial director.

★

John Mowlem & Co has appointed Mr Raymond Payne a director of MOWLEM MANAGEMENT. Mr Payne has been an associate director since joining in 1984.

Senior BNP Group post

Mr Jacques Rambosson, managing director of BANQUE NATIONALE DE PARIS, has been appointed to co-ordinate all the operations of the BNP Group in the UK, which are in the process of being extended to financial market activities. Mr Rambosson is chairman of the Foreign Banks Association.

★

Mr Alan Curtis has been appointed a non-executive director of FIRST SECURITY GROUP. Mr Curtis is chairman of Group Lotus.

★

Ms Jane Mann, Leo Burnett account director, is joining BRAND NEW as marketing director.

★

JOHN CROWTHER GROUP has appointed Mr Stewart Hollander as chief executive of its clothing division and as a member of its executive board. He was divisional chief executive and main board director at Vantona Viyella.

★

At UNITED SCIENTIFIC HOLDINGS Mr Christopher Joll has been made director of group public affairs from August 1.

★

SCOTTISH UNIT MANAGERS is strengthening its marketing team with the appointment of Mr Mike Healy as director of sales.

★

COMPAQ COMPUTER has appointed Mr David Rowe as its first UK sales director. He was formerly with Burroughs.

★

Mr Steve Gilbert, managing director of Belzona Molecular, has been appointed to the board of MOLECULAR CONSERVATION, the European holding company for the Belzona group.

★

Dr John Harries has been appointed deputy director of projects and technology at the BRITISH NATIONAL SPACE CENTRE (BNSC). Dr Harries, who is based at one of the BNSC's technical centres at the Rutherford Appleton Laboratory (RAL) at Chilton, Oxfordshire, will act as deputy to Mr Jeffrey Fellows, the director of projects and technology.

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LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or –	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§125	F.P.	24/7	167	136	♦Accord Publications 5p	167	+1	R63.1	2.6	2.6	21.1
¶¶	F.P.	15/8	127	112	♦Airsprung Group 10p	115	+3	5.4	2.8	6.6	7.6
150	F.P.	30/6	152	138	Allemax Group	151	......	R5.85	2.5	5.5	10.4
§115	F.P.	—	141	128	♦Anglia Secure Homes	141	......	R1.63	5.0	1.6	17.4
115	F.P.	13/7	190	155	Arlington Sec. 10p	180	......	b1.7	4.3	1.3	24.7
§67	F.P.	8/8	71	68	♦BBB Design Grp 5p	70	......	L1.0	4.2	2.0	16.8
§145	F.P.	15/8	158	145	♦Beaverco 5p	152	......	u5.0	2.4	4.6	12.0
¶¶	F.P.	—	53	41	Bertrams Inv. Tst.	43	......	—	—	—	—
§37½	F.P.	25/7	43½	38	♦Bipel 5p	43	......	R1.225	3.1	4.0	10.8
147	F.P.	4/7	147	130	Blick 5p	140	–2	R3.4	3.1	3.4	13.4
125	F.P.	8/8	147	128	♦Borland Intl. Inc	132	–1	u02c	1.4	1.0	18.6
145	F.P.	25/7	175	148	Bradero Props	150	......	R4.25	2.3	4.0	12.7
§60	F.P.	20/6	61½	54	♦Brit. Isl. Airways 10p	55	......	bd2.82	2.1	7.2	7.7
§63	F.P.	6/8	67	61½	♦Camotech 10p	67	+1	R2.0	2.4	4.2	13.7
§110	F.P.	18/7	115	85	♦C'bell & Armstrong 5p	85	......	d3.91	1.9	6.5	10.8
§125	F.P.	7/8	135	130	♦Chelsea Man 5p	130	......	12.2	2.8	2.4	21.4
¶¶	F.P.	18/7	110	85	Clarkson (Horace)	104	–3	L4.75	1.5	6.4	14.3
¶¶	F.P.	—	100	68	Clayform Warrants	68	......	—	—	—	—
§84	F.P.	1/8	91	84	♦Coated Electrodes 5p	85	......	u3.9	1.6	6.5	13.3
§58	F.P.	4/7	70	59	Dealstron Intl 5p	70	......	u1.65	2.1	3.3	17.9
§70	F.P.	—	74	71	♦Fletcher Dennys Sys.	74	......	L2.5	1.9	4.8	15.7
§85	F.P.	6/8	92	82	♦Ford & Weston 5p	89	+1	R3.02	2.6	4.8	11.4
150	F.P.	25/7	155	150	Guthrie Corp	154	......	u5.3	2.2	4.8	9.9
140	F.P.	20/6	150	140	Haggas (John) 10p	140	......	ud3.0	3.2	3.0	14.5
§92	F.P.	—	93	90	♦Hille Ergonom 10p	95	......	L2.0	3.1	3.0	12.8
§85	F.P.	24/7	115	90	♦Hodgson Hldgs 5p	115	+5	R2.13	2.3	2.6	20.9
R30	Nil	—	325	210	Joel (H.J.) Ltd Units	210	......	—	—	—	—
§154	F.P.	—	199	158	Kleinwort Dev. Fnd	158	......	—	—	—	—
100	F.P.	—	90	85	♦M6 Cash & Carry	85.5	–5	u3.55	2.1	5.9	9.5
157	F.P.	26/6	158	145	♦Monotype Corpn 10p	155	......	R4.4	1.6	4.0	15.4
§500	F.P.	—	516	452	Morgan Grenfell £1	457	+5	L8.5	—	2.6	—
§113	F.P.	—	114	114	St. David's Inv. Tst. Inc.	114	......	H68	—	8.4	—
§75	F.P.	—	77	76	Do Cap.	77	......	—	—	—	—
§100	F.P.	27/6	121	103	♦Savage Group 20p	115	......	R3.0	2.5	3.7	15.2
§72	F.P.	15/8	160	99	♦Shield Group 5p	150	–5	L2.0	3.1	1.9	21.9
	F.P.	1/8	184	171	♦Snapilsone 10p	172	......	u5.0	2.1	4.1	16.1
—	F.P.	—	55	43	Smith Newcourt War'ts	53	+1	—	—	—	—
§40	F.P.	31/7	42	35	♦Soundtracs 5p	39	......	61.2	2.8	4.3	11.6
§98	F.P.	6/8	106	98	♦Space Planning 10p	101	......	R1.8	3.4	2.5	16.4
§110	F.P.	—	119	119	Stanley Leisure	119	......	u3.25	2.8	3.9	13.2
§95	F.P.	25/7	114	104	♦Task Force 5p	114	......	R1.78	3.8	2.2	16.9
112	F.P.	8/8	130	116	Tenby 50p	129	–1	u4.0	2.6	4.4	10.0
190	F.P.	1/8	242	219	Thames TV	226	+3	49.5	1.9	5.9	12.7
120	F.P.	6/8	128	100	Tibbet & Britten 5p	128	+8	R3.5	2.6	3.9	14.3
§63	F.P.	—	48	67	Unilock 20p	67	......	1.98	2.7	4.2	12.7
£12.70	Nil	—	260	200	Wight Collins RS ##	200	–10	—	—	—	—
106	F.P.	—	112	110	Windsmoor 5p	112	......	u3.25	2.3	4.1	15.1

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or –
§97.947	£25	17/9	27¼	25⅛	Bankers Inv. Tst. 10½% Deb. 2016	26⅛	......
§99.50	£10	28/8	9¼	8	Bristol Water 9.8% Red Deb '96	9	......
§99.256	£30	29/8	30⅛	27	Brit. Alcan Aluminium 10⅞% Deb. 2011	27¾	......
§94.203	£25	31/10	25¼	23⅝	Brixton Est. 9.5% 1st Mort Deb 2026	23¾	......
§100p	F.P.	15/8	107p	105p	Business Mortages Tst. 8.6% Cnv Prf.	107p	......
109.89	£40	29/8	40	37¼	Estates & Gen. 11¼% 1st Deb. 2018	37½	......
§94.45	£30	31/10	32⅛	29	European Inv. Bank 9% Ln 2001	29⅛	......
‖	Nil	29/8	5pm	2pm	♦Fergebrook 12% Cnv Uns Ln 1992-97	2pm	......
96.114	£25	24/10	27⅞	25⅞	Globe Inv. 10% Deb. 2016	25¾	+⅛
§99.054	£40	12/9	41⅝	39¾	Govett Strat. Inv. Tst. 10⅜% Deb. 2016	40	......
97.963	£25	24/10	25⅝	19⅞	Gt. Portland 9½% 1st. Mort. Deb. 2016	20⅛	......
106.523	£25	21/8	26	19	Land Securities 10% 1st. Mort. Deb. 25	19½	+⅛
‖	F.P.	14/8	101½p	97p	Leigh Int. 6% Cnv. Cum. Red. Prf.	97p	......
§99.793	£25	24/9	24⅝	21½	Lon. Shop Prop. 10% 1st. Mort. Deb. 2026	21¾	......
¶¶	F.P.	—	101	96	Mercury Intl. 7⅛% Cnv Pref.	96	......
‖‖	F.P.	—	13½p	13½p	Morgan Grenfell 11¼% Cnv Prf.	13½p	......
—	F.P.	—	100⅟₁₆	99⅝	Nationwide 9⅞ 15/6/87	99⅝	......
—	F.P.	—	100	99	Do 9⅞% 6/7/87	99⅞	......
§99.937	£25	24/10	25⅛	25	Do 3⅞% IL Ln. 2021	25	......
¶100	£10	—	9	8½	Newcastle & Gate. Wtr. 7% Prf. 94/6	9	......
§97.50	F.P.	11/7	97⅞	96	Paribas Concorde Tst. 9.364% Deb. 1991	96	......
95.512	F.P.	8/8	98½	94¾	Scot. Mort. 6%—12% Ste'dist. Deb. 2026	96½	+1
§105	£50	10/10	46	44½	Smith New Court 12pc Uns. Ln. 2001‡‡	44½	......
§99.480	£25	18/7	31⅛	23¾	S.E. 10⅛% Mort. Deb. 2016	24	......
¶¶	F.P.	—	126p	112p	Tomkins (F.H.) 5.6% Cum. Cnv. Red. Prf	125p	......
99.073	£25	8/8	25¼	22⅞	Tops Est. 10¼% 1st. Mort. Deb. 2011/16	23¼	......
¶1	F.P.	—	108½p	104p	Williams Hldgs. 5¼% Cum. Conv. Red. Pref.	106p	......
100	£50	12/9	50¼	46½	Witan Inv. 8½% Deb 2016	46¾	......

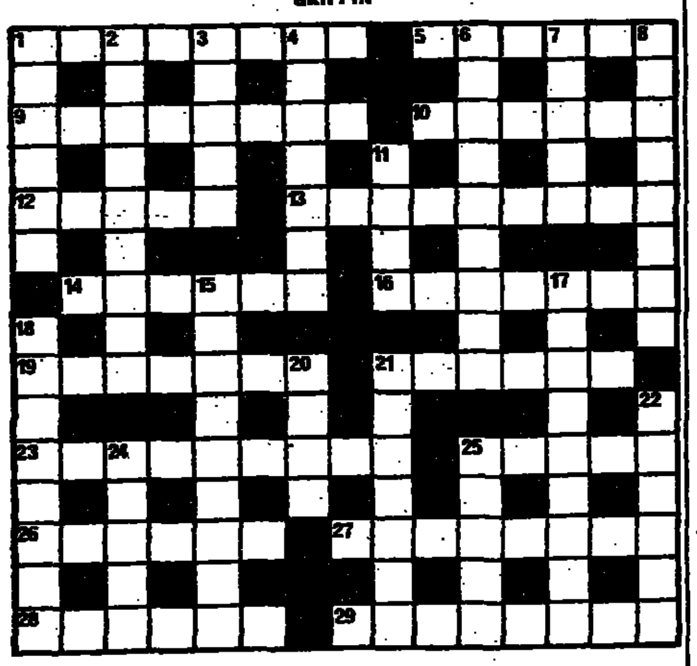
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or –
49	Nil	29/8	36pm	31pm	Abaco Inv. 5p	31½pm	+½
40	Nil	4/8	11pm	3pm	Anglo African Fin. 7½p	3pm	......
470	Nil	4/8	200pm	100pm	Antofagasta Hldgs. £1	100pm	......
55	Nil	—	½pm	¼pm	Bertrams Inv. Tst.	½pm	......
250	Nil	12/9	30pm	13pm	Boase Massimi Pollitt 12½p	13pm	......
170	Nil	—	22pm	22pm	Coloroll 10p.	22pm	......
465	F.P.	29/8	565	545	Costain Group	554	......
145	Nil	—	40pm	40pm	Dataserv. Inc. 5c.	40pm	......
130	Nil	14/8	16pm	8pm	Erskine House	14pm	–2
165	Nil	28/8	20pm	7pm	Expamet Intl.	12pm	+2
148	F.P.	20/8	182	168	Hestock Johnsen	168	......
215	Nil	15/8	63	37	Intl. Signal & Control 10c	37	–3
208	Nil	—	15pm	10pm	♦Meadow Farm Prod. 10p	15pm	......
£14	Nil	12/9	220pm	220pm	Priest Marians £1	220	......
44	Nil	—	6pm	4½pm	♦Sheraton Secs. 10p	4½pm	–½
25	Nil	11/8	4pm	½pm	Sovereign Oil & Gas	1½pm	......
90	Nil	—	2½pm	1½pm	Top Value Inds. 10p	2pm	......
38	Nil	28/8	2½pm	½pm	♦Yelverton Inv. 5p	1pm	......
41	Nil	—	35pm	30pm	♦York Mount	29pm	......

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. † Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ♦ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. ## Units comprising new ord. & Cnv. Cum. Red. Pref. shares.

FT CROSSWORD PUZZLE NO 6,076

GRIFFIN



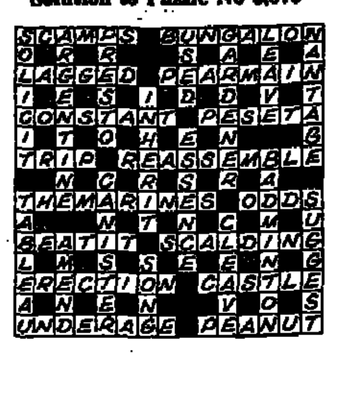
ACROSS

1 Welsh doctor in car, with John from Scotland (8)
5 Shelves the Spanish always put in empty desks (6)
9 The paper size on humbugs is better (8)
10 Cook cares about nothing lacking taste (6)
12 Paper from the Middle West, for example (5)
13 He includes ragtime version of the retreat (9)
14 Invented for the motorway, tend to break down (6)
16 A bird with a bottle of milk to finish (7)
19 Go on too long before the series is finished (7)
21 A man's taken in the savoury pie and relish (6)
23 Proved Lee wrong; it's for building muscles (9)
25 Teases the redhead in jeans (5)
26 Eavesdrop as a wire is prepared by the guerillas' leader (6)
27 Music Edna Rees composed (8)
28 Slip half inch with hammer (6)
29 Fish Street is shorter; drive on (8)

DOWN

1 The first Christmas present box (6)
2 The illicit spirit found on Simon, he destroyed (9)
3 To gamble on a youth leader is dangerous (5)
4 Ashamed when he's mixed up in an evil case (7)
6 Rising, book an oil change after moving (9)
7 Vessel carrying liquid of vital importance (5)
8 Framework with great weight underneath keels over (8)
11 Handle bacon, standing round back of counter (4)
15 Very exciting article about Brook (9)
17 Every other one having a dead bird inside (9)
18 Sends new pass before showing indifference (8)
20 Pinches one parking between two poles (4)
21 Fully accomplished yet sort of tense (7)
22 When a bird gets behind (6)
24 Church worker endlessly grass edging (5)
25 Settle for the vehicle the Parisian brought in (5)

Solution to Puzzle No 6,075



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)
Wardley House, 7 Devonshire Sq, EC2 01-929 1532

American Tst	62.5	67.2xd	+0.2	1.8
Far East & Gn Tst	97.8	106.2	+0.8	1.0
Intl Growth Tst	66.8	71.1xd	+0.2	0.8
Income Tst	83.9	90.2	+0.3	5.6
Japan Growth Tst	120.0	129.0	+2.2	0.2
Small Cos. Tst	113.2	121.8	+0.2	2.0
Tchnlgy Tst	32.2	34.6		0.2
Australia Trust	36.3	37.0	-0.1	1.9
UK Trust	129.1	137.4	+0.7	2.7
European Growth Tst	48.5	51.6xd	+0.6	1.2
Hong Kong Tst	20.9	22.3	.	1.6

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	15.2	16.2	-0.1	0.15
Pacific Basin	13.1	14.0	-0.1	0.2
Canadian Balncd Growth	58.1	62.1	-0.9	0.98
Gamie Mae	100.9	105.1	-0.2	7.3

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 429431

British Smllr Co's (z)	57.1	58.7		1.00
British Growth (z)	66.2	68.1	+0.1	1.50
British Income (z)	65.2	67.0	+0.2	4.50
British Extra Yield(z)	50.6	52.0xd	+0.2	6.50

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.4	68.5	.	0.00
U.S. Govmnt Bond F	50.50b	0.508		—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Cowtlh & County Tst	48.3	51.4	-	7.72
Growth Trust	51.8	55.2	+0.3	2.22
Income Trust	53.6	57.1	+0.3	5.13

Wright Seligman Fund Managers Ltd
11 Bloomfield St, London EC2M 7AY 01-588 0592

Growth Fund	67.7	71.2xd		2.95

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	121.8	129.6xd	+0.8	3.52

Cannon Assurance Ltd—Continued

India	110.9	117.4		—
Far East	173.6	183.7	-2.8	—
Global	93.7	99.2	-1.4	—
European	97.1	102.8	-0.3	—
Japan	108.8	115.1	-0.7	—
2nd Series Pension Accumulation				
Equity	486.7	515.0	-0.3	—
High Income	319.9	338.5	+0.2	—
Property	280.8	297.1		—
Managed	334.1	353.5	-1.1	—
Deposit	250.2	264.8	+0.1	—
Gilt	253.3	268.0	+0.8	—
American	369.1	390.6	-3.2	—
International Money	265.6	281.1	-0.5	—
India	121.3	128.4	..	—
Far East	188.2	199.2	-3.2	—
Global	93.7	99.2	-0.4	—
European	97.8	103.5	-0.4	—
Japan	112.6	119.2	-0.7	—
Other Funds				
Equity Units		66.13	-0.04	—
Property Units		21.32		—
Equity Bond/Exec	41.33	43.74	-0.03	—
Property Bond/Exec	28.75	30.42		—
Balanced Bond/Exec	33.07	34.99	-0.09	—
L&E SIF 1	108.5	114.5	-0.5	—
L&E SIF 2	71.0	75.0	-0.5	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	103.0	109.0		—
Risk & Reward Bond	118.0	125.0	+3.0	—
Murray Johnstone Fd	116.0	123.0	-1.0	—
Money Market Fd	100.0	106.0		—
Ivory & Sime Pens Fd	96.0	102.0	-3.0	—
Risk & Reward Pens Fd	97.0	103.0		—
Murray J'stone Pens Fd	114.0	120.0	-1.0	—
Money Market Pens Fd	100.0	106.0	-	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series				
Property Fund	113.9	119.9		—
Money Fund	219.5	231.1	+0.1	—
Managed Fund	403.9	425.1	-0.5	—
Equity Fund	254.0	267.4	-0.1	—
Fixed Interest Fund	149.5	157.4	+1.7	—
Far East Fund	197.2	207.6	-0.3	—
North American Fund	180.6	190.2	-4.8	—
Natural Resources Fund	127.7	134.5	-0.4	—
S U N Flag Fund	112.6	125.3	+0.9	—
Pension Managed Fund	378.2	396.2	-2.7	—

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

Save & Prosper/Robert Fleming
28 Western Rd, Romford RM1 3LB. 0708 66966
H.I.B.A. 9.25 6.98 10.04 Daily

Tyndall & Co
29-33 Princess Victoria St, Bristol 0272 732241
Demand Acc. 9.54 7.15 10.31 Qtr
Money Acc 9.53 7.13 10.30 Qtr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733
Special Acc. 9.00 6.73 9.77 Mth
Over £10,000 9.25 6.91 10.04 Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL 1SE 0752 24141
High Int Chq Acc. 10.18 7.60 11.08 Qtr

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1A 7AE. 01-606 9485
High Int Cheque Acc. 11.00 8.22 .. Qtr.

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	18
BAT	38	Midland Bk.	44
BOC Grp.	32	NEI	11
BSR	14	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	20	Plessey	20
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect.	17
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	48
Bowaters	30	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit. Telecom	17	TI	42
Brown (J.)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons.	22	Turner Newall	18
Comm Union	28	Unilever	120
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC.	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	100	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min.	$2\frac{1}{2}$
Hanson Tst.	16	Brit Petroleum	48
Hawker Sidd	52	Burmah Oil	30
ICI	50	Charterhall	3
'Imps'	28	Premier	$3\frac{1}{2}$
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds	60	Lonrho	25
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Colombia gives go ahead for another big coal mine project

BY GERARD McLOSKEY

COLOMBIAN ENERGY authorities have given the go ahead for a big steam coal export mine in the northern province of Cesar. The mine, at La Loma, could be exporting its first tonnage next year and reach full production of 6m tonnes annually before the end of the decade.

Approval for the La Loma project is one of a series of important decisions on the swiftly developing Colombian col industry which faced the ne wadministration headed by Mr Virgilio Barco, which came to office in May. Having Already receievd the formal backing of the state coal agency, Carbocal, and the mining industry, Carbones de La Loma now awaits only the formal approval of the state's interministerial economic commission, Conpes.

Coal exports from La Loma, which is backed by a US-Colombian consortium, will ensure that the new Colombian coal industry is much more broadly speard. Until now it has been largely a one-pit operation based on the massive El Cerrejon mine in the neighbouring province of Guajira.

The new administration has also to decide on a plan to revitalise a second pit with the apopintment of a new mining contractor and, perhaps most importantly, on whether to allow Shell to buy into the north block of El Cerrejon where Intercor, an Exxon subsidiary, already has a 50 per cent stake.

Shell has offered to purchase the major part of state coal company Carbocol's 50 per cent stake in El Cerejon.

Some key Carbocol executives are unhappy about Shell's approach—particularly after years of hard work in putitng the 15m tonens a year mine into operation. And Exxon, while saying nothing, views the prospect of sharing their major coal investment with Shell with dismay; notwithstanding the fact that El Cerrejon is years away from making a profit. Probably the only keen supporters of Shell's involvement are the coal buyers who would relish the prospect of three companies trying tou ndercut each other to sell the same coal.

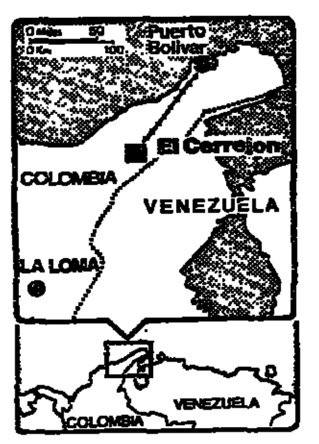
Apart from the fact that current world prices are less than half what Exxon predicted when it started to construct the $3.4bn mine, El Cerrejon has so far proved much more succesful than its backers could have hoped. Mining and exports began more than a year ahead of schedule with much of the equipment arriving early, and under budget. Despite some initial problems with dust — the coal has a very low inherent moisture — El Cerrejon's high quality steam coal has been well received by the coal market.

Already sales contracts have been signed covering one fifth, 60m tonnes, of the 300m tonnes due to be produced under the 23-year joint venture between Carbocol and Intercor. The contracts are mainly with European customers.

In fact the coal may prove too attractive for the venture's comfort. Already two major contracts have been signed with utilities in the south east of the US which is raising the hackles of US coal industry and coal union interests. A tax on coal imports is being talked of in Congress and there are hints that action could be taken against El Cerrejon under anti-dumping legislation.

Exxon in particular has taken the brunt of all this resistance and is stressing that the US, which produced more than 800m tonnes last year, should be able to take a couple of million tonnes in imports without squealing.

But if trade to the US is proving a mixed blessing for El Cerrejon some of the qualities of the mine's coal are opening up a whole range of new markets. Originally thought of as a power station coal, its exceptionally low ash presents the prospect of sales to the house



coal market, to the industrial market where either as a coal-water-mixture or a micro-ground coal it can be used in placeof heavy fuel oil, or, most importantly, in the steel industry.

Nevertheless, profits remain elusive; but perhaps not indefinitely. While no one is predicting a rise in steam coal prices, it is clear that should Exxon an dCarbocol decide to expand production beyond the planned 15m tonnes a year the additional production could come at a very low price indeed with no further investment needed at the mine's shipping terminal, Puerto Bolivar, nor on the 150-km rail link with the port.

The economic attractions of putting more coal through Puerto Bolivar is also rekindling interest in the El Cerrejon central block which ceased mining a year ago. Forced to truck out the coal to old existing facilities, the central block was losing revenue hand over fist. But now an agreement to take the coal out of Puerto Bolivar using the north block railroad is believed to have been struck and Carbocol is close to finalising its views on the exploitation of the deposit through the appointment of a new mining contractor.

Nor would the full operation of both blocks tax the Puerto Bolivar loader and other port facilities, capable of moving well in excess of 30m tonnes a year—more than all US steam coal exports from all ports in 1985.

It is, however, a much more modest steam coal mine which has been the first to get the new Government's green light—the Greenley Energy/Siminera mine in La Loma. Apart from the fact that the coal is of very high quality and destined for the export market, nothing could be more different from the Cerrejon mines in Guajira than the La Loma. For an initial 1.5m tonnes a year, this pit would require just $110m in investments ($73 a tonne/year, compared with El Cerrejon's $27) and for a design capacity of 6m tonnes a year, $400m ($67 a tonne/year).

In some ways decisions on these issues could not have come at a worse time for the Colombian authorities with low steam coal prices facing the prospect of going lower still.

For Carbocol and the Colombian Government which the state coal company advises) the La Loma decision in face of falling prices and strongly-rising demand must have been finely balanced.

Gerard McCloskey is editor of the FT International coal report.

Cocoa pact raised from the dead

BY WILLIAM DULLFORCE IN GENEVA

THE LAZARUS-like resurrection of the International Cocoa Agreement in Geneva this week owes as much to political as to economic factors. Concern about the North-South relationship between the industrialised and the Third World was as big a factor for some consuming country governments as the commercial interests of their citizens and traders. The relevant question is whether the new agreement strikes the right balance.

The political content of the negotiations was injected along two axes, one between the Ivory Coast, the biggest producer, and France, the other between the Ivory Coast and the European Commission in Brussels, representing the biggest consumer, the EEC.

Mr Denis Bra Kanon, the Ivory Coast's Agriculture Minister, appeared to have killed hopes of a new cocoa agreement when he walked out of the talks in February. The Ivory Coast was induced to change its mind by the French, keen to maintain their sphere of influence within their former colonies, and by the European Commission, which has been playing the role of bridgemaker between the industrialised and developing countries in recent moves to improve the world economic order.

The Commission has been trying to reassure developing countries that their interests will be met in the new round of international trade negotiations under the General Agreement on Tariffs and Trade.

A new price-stabilising cocoa agreement could in this context help to secure the co-operation of developing countries sceptical about the intentions of the major trading nations which want to introduce new issues, such as trade in services, intellectual property and direct investment, into Gatt.

The next plenary session of the United Nations Conference on Trade and Development (Unctad), the parent body for international commodity agreements and the principal forum for the North-South dialogue, is due next year. After a succession of failures with commodity accords, culminating in the collapse of the tin agreement last year, some Europena governmens felt the need for a gesture in the form of willingness to strike a reworked cocoa agreement.

Another motivation for reaching an agreement was some consuming governments' fear that failure would lead to a traumatic situation over the liquidation of the current 100,000-tonne buffer stock and, even more worrying, over the restitution of the $240m in levies accumulater under the old agreements. The rights to repayment are not entirely clear.

Within the Community negotiating team in Geneva theese political considerations were balanced by the desire, manifested most strongly by the British and West German, to stick to economic reality.

Negotiators on both sides declared the core agreement reached on Wednesday to be *a good one. It was a new type of commodity agreement taking proper account of economic and market realities,* Mr Richard Thomas, the *consumers' spokesmand, said.*

It includes the semi-automatic price adjustment mechanism for which the consumers were looking, although with 100,000 tonnes already in the buffer stock and with a 75,000-tonne addition within a six-month period needed to trigger a price revision, only two adjustments could take place before the current 250,000-tonne limit to the buffer stock is reached.

The maximum price revision at any one time was fixed at 6 cents a pound, so that the reference price could move 12 cents either way before the present buffer stock limit was reached and the system for producers to withhold cocoa from the market would come into play. Economists consider the withholding system would be less effective for influencing prices.

The new reference price will be 103 cents a pound which is closer to the consumers' starting point of 100 cents than to the producers' claim for 115 cents. The price structure would compel the buffer stock director to buy cocoa when the indicator price falls below 85 cents and allow him to start buying at his discretion at 88 cents.

Had the agreement started on Wednesday, the market price would have been within the intervention levels. *Negotiators had to assume that it would not be outside the levels when the new agreement comes into force in October.*

The decision to express prices in *Special Drawing Rights* (SDRs) instead of US dollars in the new agreement has been welcomed on both sides as introducing greater resistance *to exchange rate fluctuations.* The dollar prices negotiated will probably be translated into SDRs either at the spot rate or on an agreed average on the day *the new agreement* is ratified.

The International Cocoa Organisation (ICCO) will then have to publish a daily SDR cocoa price based on the average for the London and New York markets.

These new arrangements may well be workable and effectively result in a new-style commodity agreement. But the question must be raised whether, in the absence of a major crop disaster, the buffer stock manager will ever have to sell.

The greater likelihood is that he will be buying and building up the stock to support the price. ICCO projections, which have in the past turned out to be conservative, indicate that world output will have reached 2.13m tonnes in 1990-91 compared with 1.88m tonnes in 1984/85, and that supply will consistently exceed demand.

More significantly, Malaysia has not taken part in the negotiations and has shown no sign of wanting to ratify the new agreement. The ICCO forecasts that its output will grow from 115,000 tonnes in 1984-85 to 202,000 tonnes in 1990-91.

Malaysia is now generally recognised as the most efficient producer and it has declared its *intention of becoming the biggest.* It is planting the new hybrid plants which produce better crops faster, as are some other new cocoa producers such *as Indonesia.*

The negotoiators in Geneva are now trying to agree on the mass of other detailed provisions that has to be included in the new agreement before the UN conference ends next Wednesday. They will be hard put to succeed. If they do not, another session will have to be *held in September before the* final text is ready for ratification. Time for second thoughts?

Hopes rise for end to Broken Hill strike

By Patricia Newby in Melbourne

THE LEAD, zinc and silver mines at Broken Hill in northern New South Wales may re-open on an interim basis, following progress towards a *compromise yesterday.*

The full bench of the NSW Industrial Commission held separate talks with representatives of the companies and the unions. *Talks will continue today.*

The CRA subsidiary Australian Mining and Smelting (AM and S) said last night that signs were "hopeful" that the mines, which have been closed for eight weeks, could re-open on an interim basis.

The mining companies are seeking a 15 per cent increase in productivity through changed work practices, increased number of operating shifts and the introduction of night shift, in an attempt to halt the heavy losses of the past two years.

Even if the mines do re-open temporarily, their future is by *no means certain.*

The contentious matters, including night shifts in certain parts of the mine, will be referred to a technical committee *which will report* in about three months.

Australian nickel mine to close

BY MARK WESTFIELD IN SYDNEY

WESTERN AUSTRALIA'S Agnew nickel mine, one of the richest in the world, is to close because of the decline of nickel prices on the world market. Its owners, BP Australia and MIM Holdings, will announce in the next few days the shutdown of the mine, which lies 240 km north of Kalgoorlie in the south central region of the state.

The decision follows Western Mining Corporation's closure of of five of its Western Australian nickle mines, including the large Kambalda operation.

Agnew's partners (BP 60 per cent and MIM 40 per cent) had been considering for some time investing A$16m in a new open cut operation. But BP's Melbourne-based director of coals and minerals, Mr John Austin, visiting Perth this week confirmed the "mothballs" option for the mine, which produces 10,000 tonnes of concentrate a year.

More than 350 jobs will be lost with the closure.

Accumulated *losses* at the mine in recent years had obliged BP to pump $111m into the project by the time it was decided to wind up the then *operating company,* Seltrust Holdings, in 1984.

The *mine is believed to* have lost a further $20m in the last financial year.

Within two years of Agnew's first production in 1979 nickel prices started to fall.

In the past 12 months the price has dropped from US$2.40 a pound to $1.75 a pound, which is below production cost for most mines.

Mr Joe Keenen, the Western Australian secretary of the Australian Workers' Union, commented: "This is sad news. After the loss of 190 jobs at Kambalda I don't know where we are going to put another 350.'"

BP in London declined to comment on the report.

£59 return fare on Dublin route

SEALINK *British Ferries* have introduced a £59 monthly return fare between London (Euston) and Dublin (Dun Laoghaire) for passengers travelling by rail and *sea to Ireland.*

The "super sailer" fare is available throughout the peak season from today to September 6 for passengers making outward and return journeys within one calendar month.

Prices see-saw on spot oil markets

BY LUCY KELLAWAY

NORTH SEA oil prices recovered sharply yesterday morning, with the price of Brent for *September* delivery hitting $11.50 a barrel, more than $2 higher than the record lows reached on Monday and Tuesday.

But by late yesterday afternoon, conditions had changed again and prices dropped by 50 cents to end the day little changed. "The market is running on hype—no one will stand still for a minute," one dealer complained yesterday.

The rise in the price over the *last two days* is seen in the market more as a reaction to the recent sharp fall than as a signal of a new optimistic mood. Since May prices have fallen steadily from $15 and the bounce in the last two days has occurred as traders have taken profits.

In New York an early rally quickly ran out of steam. After briefly rising above $13 a barrel, the price of WTI for August delivery abruptly aboutturned, and prices fell to about $12.50.

LONDON MARKETS

COFFEE futures prices resumed their upward trend on the London market yesterday, easily wiping out Wednesday's set back. The September position ended the day £45.50 higher at £1,937 a *tonne after reaching £1,960 a* tonne at one point. Concern about lack of rain in Brazil continued to underpin the advance but dealers said yesterday's gains were more the result of bullish chart patterns. The cocoa market was quiet following the successful conclusion of the Geneva cocoa pact negotiations on Wednesday. The September futures position closed £2 up on the day at £1,366.50, still nearly £40 *short of the recent peak.* On the London Metal Exchange Grade A copper prices continued to drift in the absence of fresh buying and the cash position ended £7 down at £875.50 a tonne. Dealers said copper chart patterns were moderately bearish.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

July 17	July 16	M'th ago	Year ago
1423.1	1421.4	1535.9	1696.6

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	July 16	July 15	Month ago	Year ago
Spot	126.34	126.55	—	116.89
Fut.	116.31	114.12	—	117.84

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	July 17 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1190/200	—10	$1245/285
Copper			
Cash Grade A	£875.5	—7	£938.5
3 mths	£894	—8.25	£951.75
Gold Troy oz	$347.25		$340.00
Lead Cash	£248.75	+0.5	£279.5
3 mths	£254.75	+0.5	£280.56
Nickel			
Free Mkt	175/195c	—4	188/206c
Palladium oz	$112.35	+0.05	$110.50
Platinum oz	$439.25	+0.10	$432.90
Quicksilver†	$190/200		$210/220
Silver troy oz	332.45p	—3.55	336.40p
3 months	340.10p	—3.55	344.10p
Tin			
free mkt	£3620/840	+25	£3600/50
Tungsten	$54.42		$58.73
Wolfram 22.04lb	$42/50		$42/50
Zinc	£535	—11.5	£536.5
3 months	£532.5	—8	£539.87
producers	$840		$840

ALUMINIUM

COPPER

LEAD

NICKEL

TIN

KUALA LUMPUR TIN MARKET—Close: 14.32 (14.22) ringgit per kg. Up 0.10.

ZINC

GOLD

SILVER

MEAT

COCOA

COFFEE

SOYABEAN MEAL

GRAINS

POTATOES

RUBBER

SUGAR

OIL

GAS OIL FUTURES

US MARKETS

SUGAR FUTURES rallied on fund buying and short-covering, fuelled by reports that a nutrition group asked the US Food and Drug Administration to ban the use of the sugar substitute Aspartame, reports Heinold. A further factor was the decision on Wednesday by the EEC to *support the market* by maintaining the present rebate levels. Coffee values rallied initially and came close to the 6c limit in deferred *March, buoyed by the closing* of Brazilian coffee export registrations for August and September, along with continued fears that the dry *weather may lead to another* drought like last year. However, producer price-fix selling and mixed profit-taking trimmed earlier advances. *Cocoa remained strong,* supported by favourable currency trends and speculative short-covering.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
July	50.35	—	—	50.35
August	50.45	—	—	50.50
Sept	50.70	50.70	50.40	50.75
Dec	51.20	51.15	51.00	51.25
Jan	51.30	—	—	51.35
March	51.70	51.65	51.60	51.75

CHICAGO

FREIGHT FUTURES

Bestobell defends

Bestobell, the engineering group which is resisting an £89m takeover bid from Meggitt Holdings, yesterday dismissed the offer as an opportunistic bid.

"It is inevitable that, when a company is about to benefit from an internal reorganisation, mini-conglomerates such as Meggitt should appear," Mr David Ingman, chairman and chief executive of Bestobell, said.

Marinex Petroleum

Marinex Petroleum, the Rule 535 quoted oil independent, yesterday announced that its merger talks with Teredo Oils, a fellow oil producer and explorer, had been called off as a result of the fall in oil prices.

Most of Teredo's acreage is the Paris basin, while Marinex largest asset is its stake in the on-shore Humbley Grove field. Together, the companies would have created a group worth some £7m.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar remains weak

The dollar continued to weaken against the Japanese yen yesterday, but eased only slightly against the D-mark. After losing ground overnight in New York, and in Tokyo, the US currency showed little further movement during European trading. The main events of the day—the Bundesbank council meeting and publication of June US housing starts—had no impact. As expected the West German central bank made no change to interest rates, in spite of last week's cut in the US discount rate, and the fall of 0.8 per cent in housing starts, although surprising, lent further weight to the argument that economic growth has slowed sharply in the second quarter. The market expects next Tuesday's second quarter gross national product figure to show growth of only about 1 per cent, compared with 2.9 per cent in the first quarter.

The decline in the value of the dollar is therefore expected to continue. Yesterday the US currency fell to a record low of Y157.30 from Y158.35, to the lowest since April 1981 at DM 2.1475, compared with DM 2.1495, and to FFr 6.9350 from FFr 6.9425. On the other hand it improved to SFr 1.7445 from SFr 1.7420.

On Bank of England figures the dollar's index fell to 112.5 from 112.9.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3770. June average 1.5369. Exchange rate index rose 0.2 to 74.1, compared with 77.9 six months ago.

Firmer North Sea oil prices helped sterling improve. The pound rose ½ cent to $1.5155-1.5165, and also advanced to DM 3.2550 from DM 3.2525; to FFr 10.5150 from FFr 10.5075; and to SFr 2.6450 from SFr 2.6375, but declined to Y238.50 from Y239.75.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1475. June average 2.2320. Exchange rate index 136.6 against 131.6 six months ago.

The D-Mark showed little change against the dollar in Frankfurt yesterday. The fixing of DM 2.1476, compared with DM 2.1526, was the lowest since April 10 1981, but was a reflection of European markets catching up with the weakness of the dollar, after sharp falls in New York overnight and in Tokyo. The Bundesbank did not intervene at the fixing. Figures on US housing starts had no impact, and there was little incentive to move the dollar, particularly with the fear of possible central bank intervention inhibiting any tendency to push the US currency lower. As expected credit policies were left unchanged at the Bundesbank's regular council meeting. The dollar finished at DM 2.1475 in Frankfurt compared with DM 2.1470 previously.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 157.30, June average 167.50. Exchange rate index 216.5 against 176.2 six months ago.

The yen continued to appreciate against the dollar in Tokyo yesterday. Once again it was not clear whether the Bank of Japan intervened. The dollar touched a peak of Y157.45 soon after the opening, but a large Japanese electrical manufacturer sold an estimated $500m forward, on a spot rate of Y157.30, sending the dollar lower. An article in a Japanese newspaper, claiming Mr Paul Volcker, chairman of the US Federal Reserve Board, will tolerate a further decline in the value of the dollar, triggered the selling. Dealers were also nervous ahead of next week's second quarter US GNP announcement, fearing slow growth would push the dollar lower. After touching a record trading low of Y156.30 the dollar closed at Y156.95 in Tokyo, compared with Y158.30 on Wednesday.

£ IN NEW YORK

July 17	Latest	Prev. close
£ Spot	$1.125-1.5135	$1.5135-1.5145
1 month	0.45-0.42pm	0.43-0.41pm
3 months	1.25-1.20pm	1.26-1.25pm
12 months	4.40-4.30pm	4.47-4.40pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

July 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5055-1.5170	1.5155-1.5165	0.44-0.41c pm	3.36	1.25-1.20 pm	3.23
Canada	2.0712-2.0825	2.0816-2.0825	0.31-0.21c pm	1.50	0.82-0.67 pm	1.43
Nethlnd.	3.64¼-3.67	3.66-3.67	1½-1¼c pm	4.30	4⅛-3¾ pm	4.30
Belgium	66.78-67.21	67.10-67.20	20-10c pm	2.68	55-40 pm	2.83
Denmark	12.13-12.20¾	12.19½-12.20½	2⅝-1⅞ore pm	1.84	4⅝-3 pm	1.27
Ireland	1.0865-1.0935	1.0895-1.0905	par-0.10p pm	0.55	par-0.20 pm	0.37
W. Ger.	3.23⅝-3.26	3.25-3.26	1⅝-1⅛pf pm	5.53	4½-4 pm	5.22
Portugal	222.13-224.52	222.78-224.45	50-215c dis	−7.11	180-650 dis	−7.43
Spain	206.56-207.46	206.83-207.12	35-75c dis	−3.19	130-210 dis	−3.29
Italy	2229½-2234½	2233½-2234½	par-5c dis	−1.34	5-13 dis	−1.61
Norway	11.23½-11.30¾	11.29¾-11.30¾	4⅝-5⅞ore dis	−5.31	14½-15½dis	−5.24
France	10.46-10.52	10.51-10.52	2⅝-1⅞c pm	2.64	7-6 pm	2.47
Sweden	10.62½-10.69	10.68-10.69	¾ pm-¼ore dis	0.28	¼ pm-½ dis	0.05
Japan	236½-239	238-239	1⅛-⅞y pm	5.35	3¼-2⅞ pm	5.14
Austria	22.75-22.89	22.83-22.86	10-8¾ gro pm	4.82	27⅝-24	4.50
Switz.	2.62½-2.65	2.64-2.65	1⅝-⅞c pm	4.82	3⅛-3	4.91

Belgian rate is for convertible francs. Financial franc 67.60-67.90
Six-month forward dollar 2.38-2.33c pm; 12-month 4.45-4.30c pm

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5055-1.5170	1.5155-1.5165	0.44-0.41c pm	3.36	1.25-1.20 pm	3.23
Ireland†	1.3865-1.3920	1.3890-1.3900	0.50-0.20c pm	3.02	1.35-0.95 pm	3.31
Canada	1.3735-1.3764	1.3740-1.3750	0.20-0.23c dis	−1.88	0.60-0.65d	−1.82
Nethlnd.	2.4100-2.4235	2.4175-2.4185	0.20-0.17c pm	0.92	0.63-0.58 pm	1.00
Belgium	44.20-44.40	44.25-44.35	1-3c dis	−0.54	4-8 dis	−0.54
Denmark	8.02¾-8.05⅝	8.04⅞-8.05	0.75-1.35ore dis	−1.57	3.75-4.35dis	−2.01
W. Ger.	2.1420-2.1520	2.1470-2.1480	0.38-0.36pf pm	2.04	1.10-1.06 pm	2.00
Portugal	148-148¼	148-148¼	80-180c dis	−10.53	250-550dis	−10.80
Spain	136.60-137.03	136.75-136.85	65-85c dis	−7.00	205-265dis	−6.86
Italy	1471-1477½	1473-1474	5-6½lire dis	−4.68	17-19½ dis	−4.96
Norway	7.44-7.47½	7.45¼-7.45¾	5.20-5.60ore dis	−8.69	15.75-16.15d	−8.55
France	6.92-6.96	6.93¼-6.93¾	0.40-0.50c dis	−0.78	1.25-1.45dis	−0.78
Sweden	7.03-7.05½	7.04½-7.05	1.75-1.95ore dis	−3.15	5.50-5.80dis	−3.21
Japan	156.75-157.40	157.25-157.35	0.28-0.23y pm	1.95	0.79-0.74 pm	1.95
Austria	15.05½-15.11½	15.08¼-15.08¾	2½-1½gro pm	1.59	8-4 pm	1.32
Switz.	1.7380-1.7500	1.7440-1.7450	0.28-0.23c pm	1.75	0.77-0.72 pm	1.71

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.
Belgian rate is for convertible francs. Financial franc 44.70-44.80

EXCHANGE CROSS RATES

July 17	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.516	3.255	238.5	10.52	2.645	3.665	2234.	2.082	67.15
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	44.30
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	20.63
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	281.5
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	63.86
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	25.39
H Fl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	18.32
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	30.06
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	32.25
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

July 17	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: two years 6⅞-7⅛ per cent; three years 7⅛-7⅜ per cent; four years 7⅜-7⅝ per cent; five years 7⅝-8⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen: others, two days' notice.

CURRENCY MOVEMENTS

July 17	Bank of England Index	Morgan Guaranty Change %
Sterling	74.1	−17.4
U.S. dollar	112.5	+3.5
Canadian dollar	78.6	−11.9
Austrian schilling	127.8	+7.4
Belgian franc	95.2	−7.6
Danish Kroner	86.3	−0.9
Deutsche mark	136.6	+15.8
Swiss franc	163.7	+19.9
Guilder	126.7	+10.2
French franc	69.0	−13.8
Lira	46.7	−17.2
Yen	216.5	+59.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

July 17	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.788046	0.655909
US $	6	1.19192	0.991352
Canadian $	8.84	*	1.36306
Austria Sch	4	18.0171	14.9691
Belgian Fr	8	52.8289	43.9657
Danish Kr	7	9.59198	7.97229
D'mark	3½	2.55977	2.12988
Guilder	4½	2.88564	2.40071
French Fr	9½	8.28851(1)	6.87984
Lira	12	1757.55(1)	1462.71
Yen	3½	186.833	155.887
Norway Kr.	8	8.88576	7.39038
Span'h Pta.	—	163.194	135.664
Swedish Kr	8	NA	6.98443
Swiss Fr.	4	2.07907	1.72859
Greek Drch	20½	164.446(1)	137.028
Irish Punt	—	0.866486(1)	0.713445

* C$/SDR rate for July 16: 1.63602. (1) SDR rate for July 16.

OTHER CURRENCIES

July 17	£	$
Arg'tina	1.3605-1.3630	0.9000-0.9010
Aus'alia	2.3745-2.3780	1.5695-1.5715
Brazil	20.81-20.94	13.77-13.84
Finland	7.6440-7.6570	5.0510-5.0530
Greece	206.67-210.30	137.14-139.45
H'kong	11.8186-11.8256	7.8125-7.8145
Iran	117.00*	77.60*
Kuwait	0.4370-0.4380	0.28815-0.28845
Lux'burg	67.10-67.20	44.25-44.35
Malaysia	4.0050-4.0165	2.6480-2.6510
N'Z'land	2.8295-2.8370	1.8710-1.8760
Saudi Ar.	5.6735-5.6900	3.7525-3.7540
Sin'pore	3.3010-3.3085	2.1825-2.1845
SAf (Cm)	3.8785-3.9110	2.5710-2.5775
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

Correction (for July 16): Greece $136.82-139.12.
* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.6761	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	7.91117	[illegible]	[illegible]	[illegible]	[illegible]
German D-Mark	2.13834	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	6.87456	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	2.40935	[illegible]	[illegible]	[illegible]	[illegible]
Irish Punt	0.712956	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	1496.21	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Gilts do well

Long-term gilt futures held up well on the London International Financial Futures Exchange yesterday, supported by a steady performance by sterling and firmer North Sea oil prices. September gilts opened weaker at 120-16, reflecting the overnight weakness of the US bond market, but improved during the morning to trade quite strongly, unaffected by UK economic statistics. The rise in UK unemployment to 3.22m was higher than expected, while figures on average earnings and unit labour costs were much as expected. Dealers commented that UK statistics tend to have a greater impact on sterling denominated contracts than UK figures. The contract moved up to a peak of 121-07 on a lower than forecast figure for June US housing starts, and in spite of later weakness in US Treasury bonds and Eurodollars finished strong at 120-28, compared with 120-23.

September US Treasury bond futures opened lower at 100-02, and were depressed by rumours that US housing starts would be strong. The published fall of 0.8 per cent in June housing starts led to a rally, but this quickly evaporated and the contract finished weak at 99-11, against 100-25 previously.

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

[illegible]

Estimated volume total, Calls 10, Puts 0
Previous day's open int. Calls 3,298, Puts 4,769

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

[illegible]

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Aug	Sept	Dec	Mar	Puts—Last Aug	Sept	Dec	Mar
1.30	—	21.20	21.30	—	—	0.05	0.45	[illegible]
1.35	—	16.20	16.30	16.40	—	0.10	0.90	1.65
1.40	—	11.30	11.70	12.10	—	0.40	1.85	3.10
1.45	6.55	6.95	8.10	8.85	0.50	1.35	3.00	4.90
1.50	2.90	3.75	5.20	6.20	2.05	2.90	5.60	7.05
1.55	1.00	1.70	3.10	4.10	5.50	5.90	8.30	10.15
1.60	0.20	0.80	1.85	2.70	9.50	9.80	11.90	13.50

Previous day's open int. Calls 29,989, Puts 30,239
Previous day's volume, Calls 941, Puts 1,056

CHICAGO

US TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	99-14	100-13	99-04	100-05
Dec	98-21	99-20	98-14	99-13
March	97-28	98-26	97-20	98-21
June	96-31	97-30	96-31	97-29
Sept	96-10	97-01	96-10	97-07
Dec	95-22	96-21	95-22	96-19
March	—	—	—	96-01
June	—	—	—	95-17
Dec	—	—	—	94-23
March	—	—	—	94-12

US TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	94.48	94.50	94.45	94.50
Dec	94.54	94.59	94.53	94.57
March	94.42	94.46	94.40	94.48
June	94.23	—	94.23	94.27
Sept	93.99	—	93.99	94.03
Dec	93.74	—	93.74	93.78
March	93.51	—	93.51	93.55

CERT DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	—	—	—	93.96
Dec	—	—	—	93.91

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	93.56	93.60	93.54	93.59
Dec	93.55	93.59	93.53	93.57
March	93.38	93.42	93.36	93.40
June	93.15	93.17	93.13	93.17
Sept	92.87	92.89	92.85	92.89
Dec	92.60	92.60	92.57	92.61
March	92.31	92.32	92.28	92.34
June	92.04	92.06	92.02	92.08

STERLING INDEX

	July 17	Previous
8.30 am	73.9	73.9
9.00 am	73.8	73.8
10.00 am	74.0	74.1
11.00 am	74.0	74.0
Noon	74.0	74.1
1.00 pm	74.1	74.1
2.00 pm	74.1	74.1
3.00 pm	74.1	74.1
4.00 pm	74.1	73.9

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
Sept	120-28	121-07	120-13	120-23
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume [illegible]
Previous day's open int. [illegible]
Basis quote (clean cash price of 13¾% Treasury 2000-03 less equivalent price of near futures contract) [illegible] (32nds)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

[illegible]

THREE-MONTH STERLING
£500,000 points of 100%

[illegible]

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
Sept	163.35	163.50	162.40	162.30
Dec	166.25	166.00	165.60	165.20
March	168.85	—	—	167.80

Estimated volume 453 (358)
Previous day's open int. 2,255 (2,304)

THREE-MONTH EURODOLLAR
$1m points of 100%

[illegible]

US TREASURY BONDS
8% $100,000 32nds of 100%

[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5160	1.5118	1.5035	1.4925	1.4723

IMM—STERLING $e per £

[illegible]

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.5065	1.5062	1.4892	1.4980
Dec	1.4950	—	—	1.4870
March	1.4878	—	—	1.4770

Estimated volume 117 (72)
Previous day's open int. 1,528 (1,508)

Legal Notices

IN THE MATTER OF
LOPPING INVESTMENTS LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company, *which is being voluntarily wound up*, are required on or before the 29th day of August, 1986, to send their full Christian and Surnames, their addresses, and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any) to the undersigned, Roy Fiddemont, of 21 New Street, Bishopsgate, London EC2M 4HR, the Liquidator of the said Company, and, if so required by Notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their *debts or claims at such time and place* as shall be specified in such Notice, or, in default thereof, they will be excluded from the benefit of any distribution made before such debts are proved.

Dated 14th day of July, 1986.
R. FIDDEMONT,
Liquidator.

IN THE MATTER OF
ENVIROCOR SALES LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company, *which is being voluntarily wound up*, are required on or before the 29th day of August, 1986, to send their full Christian and Surnames, their addresses, and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any) to the undersigned, Roy Fiddemont, of 21 New Street, Bishopsgate, London EC2M 4HR, the Liquidator of the said Company, and, if so required by Notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their *debts or claims at such time and place* as shall be specified in such Notice, or, in default thereof, they will be excluded from the benefit of any distribution made before such debts are proved.

Dated 14th day of July, 1986.
R. FIDDEMONT,
Liquidator.

MONEY MARKETS

London rates slightly easier

Interest rates were slightly softer in London yesterday, as sterling held fairly steady, and North Sea oil prices moved up by over $1 a barrel. Data on UK unemployment and earnings had no impact. The rise of 15,000 to 3.22m in unemployment was disappointing, but figures on average earnings and unit labour costs were in line with expectations. Although the data tended to confirm stagnation in economic growth, the nervousness of the pound, lack of stability in the oil market, and recent sharp money supply growth, continued to suggest unchanged bank base rates in the immediate future. Three-month interbank fell to 9⅞-10 per cent from 9 15/16-10 1/16 per cent.

The Bank of England initially forecast a money market shortage of £600m, but revised this to £700m at noon, and to £650m in the afternoon. Total help of £608m was provided.

Before lunch the authorities bought £222m bills outright, by way of £100m bank bills in band 2 at 9 13/16 per cent; £28m local authority bills in band 3 at 9¾ per cent; £62m bank bills in band 3 at 9¾ per cent; and £32m bank bills in band 4 at 9 11/16 per cent.

In the afternoon another £386m bills were purchased outright, through £345m bank bills in band 2 at 9 13/16 per cent, and £41m bank bills in band 3 at 9¾ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £377m, with Exchequer transactions absorbing £90m; a rise in the note circulation £10m; and bank balances below target another £115m.

In Frankfurt the Bundesbank council met for the last time before the summer break. As expected the central bank's discount rate was left at 3.5 per cent, and the Lombard rate at 5.5 per cent. On the money market call money eased to 4.55 per cent from 4.60 per cent, with conditions helped by liquidity supplied on Wednesday through Government disbursements.

UK clearing bank base lending rate, 10 per cent since May 22

FT LONDON INTERBANK FIXING

(11.00 a.m. July 17)

Three months US dollars		Six months US dollars	
bid 6 7/16	Offer 6 9/16	bid 6 7/16	Offer 6 9/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

July 17	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	5-10⅛	9⅞-10⅛	10-10⅛	9⅞-10	9 13/16-10	9 13/16-9 15/16
Sterling CDs	—	—	9 15/16-10 1/16	9 13/16-9 15/16	9¾-9⅞	9¾-9⅞
Local Authority Depos	10	10	10-10⅛	9⅞-10	9 13/16-9 15/16	9 13/16-9 15/16
Local Author'y Bonds	—	—	10⅛	10⅛	10⅛	10
Discount Mkt Depos.	6-10¼	10	9¾	9¾	—	—
Company Depos	9½-10	10-10¼	10-10¼	10	9 15/16	—
Finance House Depos	—	—	10 1/16	10	9 15/16	9⅞
Treasury Bills (Buy)	—	—	9 11/16	9⅝	—	—
Bank Bills (Buy)	—	—	9⅞	9 13/16	9⅝	—
Fine Trade Bills (Buy)	—	—	10 5/16	10¼	10⅛	—
Dollar CDs	—	—	6.45-6.50	6.45-6.50	6.45-6.50	6.55-6.60
SDR Linked Depos	—	—	6⅛-6⅜	6⅛-6⅜	6⅛-6⅜	6½-6⅝
ECU Depos	—	—	7 3/16-7 5/16	7⅛-7¼	7⅛-7¼	7⅛-7¼

Treasury Bills (sell): one-month 9 9/16 per cent; three months 9½ per cent. Bank Bills (sell): one-month 9⅞ per cent; three months 9 13/16 per cent. Treasury Bills: Average tender rate of discount 9.3807 per cent. ECGD Fixed Finance Scheme IV reference date June 4 to July 1 (inclusive) 9.524 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from July 1 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 10 per cent; three-six months 10 per cent; six-nine months 10 per cent; nine-12 months 10 per cent. Under £100,000 10 per cent from July 16. Deposits held under Series 5 10 per cent. Deposits withdrawn for cash 6½ per cent.

MONEY RATES

July 17	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'tin
Frankfurt	4.50-4.60	4.55-4.65	4.55-4.65	4.55-4.65	4.65-4.70	5.5
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Greece	Drachma	138.90	Papua New Guinea	Kina	0.9681
Albania	Lek	6.6998	Greenland	Danish Krone	8.058	Paraguay	Guarani (o.c.)	240.00
Algeria	Dinar	4.90	Grenada	E. Caribbean $	2.70		Guarani (d)	663.00
Andorra	French Franc	6.955	Guadeloupe	Franc	6.955	Peru	Intl. (o)	13.95
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102⅝	100¼	Exch. 14pc 1986	101⅛	+⅛	13.85	9.76
98⅝	94⅞	Exch. 2½pc 1986	98½	+⅛	2.52	6.90
102⅞	100⅛	Exch. 13¼pc 1987	101⅝xd	+⅛	13.03	9.84
100⅞	97⅜	Treas 10½pcCv '87	100⅛xd	.....	10.23	9.89
97⅜	92⅞	Exch 2½pc 1987	97⅜	+⅛	2.54	6.70
101⅛	97½	Exch. 10½pc 1987	100⅛	+⅛	10.45	9.76
98⅝	93⅝	Funding 6½pc '85-87‡‡	98⅝	.....	6.61	8.79
101⅛	96⅞	Treas. 10pc 1987	100⅛	+⅛	9.97	9.73
97⅛	90⅞	Treas 3pc 1987	96⅝	.....	3.11	6.99
104½	99⅛	Treas. 12pc 1987	102⅝	+⅛	11.70	9.75
99⅝	92⅞	Treas 7¾pc 1985-88‡‡	98xd	−⅛	7.91	9.15
104	96⅛	Exch 10½pc '88	101⅛	.....	10.35	9.62
102⅝	95⅛	Treas 9¾pc Cv '88	100⅜	.....	9.73	9.62
94⅛	86⅝	Transport 3pc '78-88	93⅛	.....	3.22	6.82
102½	93⅞	Treas. 9½pc '88	99⅛	−⅛	9.52	9.58
107⅝	98⅛	Treas 11½pc 1989	104⅛xd	−⅛	11.02	9.59
103½	93⅛	Treas 9½pc Cnv. '89	99⅞	−⅛	9.51	9.50
92⅛	82⅞	Treas 3pc 1989	89⅞	+⅛	3.33	7.04
105⅛	95⅜	Treas 10½pc 1989	102⅜	−⅛	10.27	9.56
104⅜	94⅛	Exch.10pc 1989	101⅛xd	−⅛	9.90	9.59
107⅛	97	Exch 11pc 1989	103⅞	−⅛	10.59	9.51
93⅜	84½	Treas 5pc 1986-89	91⅝	+⅛	5.45	7.97
110⅜	94⅝	Exch 10¼pcCv '89	106	+⅛	9.67	8.13
114⅜	103⅜	Treas 13pc 1990‡‡	110⅛	−⅛	11.78	9.43
108⅛	97⅛	Exch 11pc 1990‡‡	104⅛xd	−⅛	10.54	9.50
113⅛	101⅞	Exch. 12½pc 1990	109⅛	−⅛	11.46	9.50
89⅛	79⅝	Treas. 3pc 1990	86½	.....	3.46	7.12
100⅛	89⅛	Treas 8¼pc 1987-90‡‡	97⅝	.....	8.45	8.97
106⅛	93	Treas. 10pcCv 1990	101⅞	−⅛	9.82	9.44
86⅜	76½	Exch 2½pc 1990	83⅛	+⅛	2.98	6.88
112⅛	99⅛	Treas 11¾pc 1991	108⅜	−⅛	[illegible]	[illegible]
94⅛	83⅛	Funding 5¾pc '87-91‡‡	91⅞	.....	[illegible]	[illegible]
86½	83⅞	Treas. 3pc 1991●	83⅞	−⅛	[illegible]	[illegible]

Five to Fifteen Years

Over Fifteen Years

Undated

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INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

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ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

هكذا من الأصل

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
317	210	Morgan Crucible	283	.....	8.5	1.7	4.2	17.8
23½	15½	Morris (W) F.A. 20p	18	+½	—	—	—	—
139	96	Moss (Robt.) 10p	130	.....	3.3	2.7	3.6	14.0
141	65	Myson Grp 10p	134	.....	2.65	2.6	2.8	17.3
345	259	NMW Computers	305	+5	6.0	3.0	2.8	17.5
40	27	Nash Inds.	39	.....	0.5	—	1.8	—
27½	15½	Neill & Spencer 10p	24	+1	—	—	—	—
39	28	Newman Inds 10p	39	+1	0.8	1.2	2.9	37.9
130	65	Noble & Lund 10p	124	–2	0.7	4.3	0.8	40.8
65	44	Nolton	52	.....	10.95	7.0	2.6	7.4
138	96	Norank Systems 5p	132	+2	3.0	♦	3.2	♦
286	187	Norcros	255xd	–2	9.3	2.2	5.1	12.2
173	49	Nu-Swift 5p	170	+7	3.5	2.1	2.9	22.9
£305	£228	OCE 9pc Cnv 1987-92	£292	.....	Q9%	—	f3.1	—
118	80	Oakwood Grp	105	+8	5.0	1.3	‡	14.3
250	203	Office & Elect	228	.....	8.5	2.9	5.3	9.3
102	70	Oldacre 20p	100	.....	5.0	♦	7.3	♦
36	24	Optometrics $0.01	28	.....	—	—	—	—
810	500	Oriflame £1	810	+5	24.5	2.1	4.3	15.7
10	6	Overstone 12½p	6	.....	g0.25d	1.9	14.1	3.7
For Ozalid 9pc Cnv see OCE 9pc Cnv								
142	85	PCT Grp 10p	130	.....	3.2	1.2	5.1	20.0
£20½	950	PLM 'B' Sk 25	£16½	.....	Q23.2%	0.3	4.0	—
184	114	PSM Intl.	172	.....	5.5	2.1	4.5	13.1
255	167	Pacer Systems $0.01	205	.....	L05.8c	3.4	1.3	22.9
78	54	Pacific Sales 10p	65	.....	3.0	2.1	6.5	8.5
342	225	Park Place 10p	290	.....	16.25	1.9	2.7	27.7
445	246	Parker Knoll 'A'	412	–3	19.5	2.9	3.2	15.0
545	208	Parkfield Group 5p	530	–5	12.4	2.4	0.6	88.6
53	30	Pavion Intl.	33	+1	—	—	—	8.8
£130	£92	Do 11pc CvLn '94-02	£102	.....	Q11%	—	Q11.2	—
[illegible]								

LEISURE—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
115	58	Leisuretime Int 10p	90	–5	†2.9	♦	3.6	[illegible]
117	100	Lewmar	132	.....	2.63	♦	3.3	[illegible]
220	145	Media Tech Int 20p	150	.....	L2.58	5.4	2.4	[illegible]
175	140	Medminster 10p	150	.....	†5.35	2.7	5.0	[illegible]
220	130	Mrs World 10p	195	.....	5.2	3.3	3.8	[illegible]
90	62	Nationwide Leisure	76	–½	t3.75	♦	6.9	[illegible]
17	10½	Nimslo Int 20c	13½	.....	—	—	—	[illegible]
35½	23	Owners Abroad 3p	34	.....	1.5	2.3	6.2	[illegible]
90	46	Photax (Lon.)	68	.....	—	—	—	[illegible]
34	28½	P'dilly Radio NV 5p	30	.....	2.0	1.2	9.7	[illegible]
70	25½	Pineapple Dnc St 10p	78	+5	—	—	—	[illegible]
391	280	Pleasurama 5p	323	+5	7.5	3.2	3.4	[illegible]
178	136	Do. 7pcCvCnvRedPf	150	+2	7%	—	6.6	[illegible]
For Pres. Entertainment see Hotels								
43	18	Radio City 'A' NV	30	.....	—	—	—	[illegible]
48	38	Radio Clyde N/V	45	.....	3.25	0.9	10.2	[illegible]
398	322	Really Useful Grp 5p	385	.....	b11.25	2.2	4.1	[illegible]
64	44	Riley Leisure 10p	49	.....	—	—	—	[illegible]
230	163	Saga Hols. 20p	163	.....	4.6	2.6	4.0	[illegible]
355	235	Samuelson Grp 20p	245	.....	2.4	♦	1.4	[illegible]
123	73	Sangers Photo 10p	98	.....	2.2	♦	3.2	[illegible]
178	138	Scarro 50p	145	.....	4.0	3.5	3.9	[illegible]
340	175	Scott. TV 10p	335	.....	10.5	3.0	4.4	[illegible]
294	114	SeaCo Inc $0.125	182	+8	—	—	—	[illegible]
26	7	SelecTV 10p	20	+2	—	—	—	[illegible]
37	20	Spectrum 5p	25	–2	†1.20	4.8	‡	[illegible]
46	31	TSW 5p	45	.....	†1.7	2.4	5.3	[illegible]
285	150	TVS N/Vtg 10p	243xd	–3	†8.0	2.5	4.6	[illegible]
188	118	Television Svcs 50p	136	.....	2.0	1.6	2.1	[illegible]
72	50	Tottenham Hotspur	70	+1	†4.0	—	‡	[illegible]
96	66	Trilion 10p	89	.....	1.1	3.3	2.1	[illegible]
[illegible]								

INSURANCES

[illegible]

LEISURE

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

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TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

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Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
[illegible]							
42	23½	Anglo Utd Dev	27xd	.....	1.07	♦	5.6
80	45	Colby Res Corp	48	.....	—	—	—
300	130	Cons. Murch. 10c	165xd	.....	Q100c	♦	12.2
34	28	Ennex Int. Ir10p	32	.....	—	—	—
102	70	Greenwich Res	92	.....	—	—	—
157	93	Hampton Areas 10p	146	.....	1.0	—	1.0
250	165	Highwood Res	236	+5	—	—	—
£19¾	£13½	Homestake Mining $1	£14	.....	Q20c	—	1.0
310	175	McFinley Red Lake	192	–1	—	—	—
285	182	Musto Explorations	182	–1	—	—	—
51	33	New Sabina Res C$1	37	.....	—	—	—
260	200	Northgate C$1	200	–5	—	—	—
790	513	RTZ	565	–6	22.0	2.8	5.5
£164	£115	Do. 9½pcLn '95-2000	£130	.....	Q9½%	15.5	7.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- • Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¤ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	60	.....	Fin. 13% 97/02	£113¾	.....
Craig & Rose £1	£11xd	.....	Arnotts	330	.....
Finlay Pkg. 5p	43	.....	CPI Hldgs	43	.....
Holt (Jos) 25p	810	.....	Carrol Inds.	160	.....
Isle Man Stm. £1	86	.....	Dublin Gas	53	
			Hall (R. & H.)	75	+2
IRISH			Heiton Hldgs.	31	.....
Fund 11¾% 1988	£102¼	.....	Irish Ropes	98xd	–2
Nat. 9¾% 84/89	£100	.....	Unidare	203	+3

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LONDON STOCK EXCHANGE

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
June 30	July 10	July 11	July 21
July 14	July 24	July 25	Aug 4
July 28	Aug 7	Aug 8	Aug 18

* "New-time" dealings may take place from 9.30 am two business days earlier.

Rally in equities gathers pace —FT index advances 10.5

The recovery movement in equity markets continued yesterday. Leading shares edged higher, but there were few signs of any substantial investment demand. Government securities also maintained the previous day's better trend, closing with further small gains.

Dealers derived little encouragement from the overnight performance on Wall Street—the Dow Jones Industrial Average closed only 5.48 higher after having shown a rise of 18 points in the earlier dealings—but some bear closing in the international stocks saw the market off to a bright start.

The underlying tone was also given a boost by a firm performance in the Oil Sector as spot crude prices continued to recover from recent all-time lows. British Petroleum were particularly good at 583p, up 12.

Business remained light, but most other blue chips made headway as the market appeared to regain confidence. Boots, encouraged by the confident tenor of the chairman's annual statement, ended 6 to the good at 242p, while Grand Metropolitan, the subject of a speculative flurry, advanced 10 to 390p.

Firmer opening indications from Wall Street yesterday helped to maintain the momentum in the late dealings and the Financial Times Ordinary share index closed at the day's best with a rise of 10.5 at 1316.8. The FT-SE 100 share index rose 12 points to 1609.3.

Government securities ignored the overnight reaction in US bonds. Long-dated stocks attracted a little further buying interest in the earlier dealings and improved by around ¼. Thereafter, quotations fluctuated in line with the gilt futures market and settled with gains of ⅛ on balance. Dealings commenced yesterday in the new tap stock Treasury 8¼ per cent 2007 (£25-paid), which closed at 24⅞.

Listings for Russian bonds in which dealings were suspended on Tuesday have been cancelled following the recent announcement of settlement details.

Midland up again

Renewed demand for Midland ahead of their introduction next Thursday to the Traded Option market left the shares a further 8 better at 558p. Elsewhere, Standard Chartered rallied 11 more to 743p following a combination of bear closing and revived speculative support. Among Hire Purchases, Equity and General hardened a penny more making a two-day rise of 5½ at 29p on confirmation that a large stake in the company had changed hands.

Still on rumours of an imminent bid from Citicorp of the US, Stewart Wrightson touched a new peak of 473p before closing unaltered at 463p. Hogg Robinson added 4 more at 320p and PWS International moved up 10 at 325p. Composites returned to favour with gains of 13 and 17 recorded in General Accident, 858p, and GRE, 915p. Sun Alliance put on 10 at 718p and Royals improved 9 at 858p. Elsewhere, Abbey Life added 5 at 192p in front of today's publication of the group's new life business figures.

Anglia Secure Homes were the feature of the day's USM newcomers; the shares, placed at 115p, opened at 128p and moved ahead strongly to close at 141p. Fletcher Dennys, a microcomputer systems concern, opened at 71p and closed at 74p compared with the placing price of 70p, but the shares of contract furniture group Hille Ergonom started at a small discount to the placing price of 92p before edging forward to close at 93p. The fully-listed Stanley Leisure made a bright market debut at 119p compared with the placing price of 110p, while fashion house Windsmoor, after opening at 110p, touched 113p prior to closing at 112p which compares with an offer for sale price of 106p. Among other recently-issued equities, Shield Group, up 37 on Wednesday on news of its Hampstead development contract, eased 5 to 150p following profit-taking.

The drinks sector generally held close to the overnight positions in a subdued business. Cider group H. P. Bulmer fell 6 more to 152p on further reflection of the uninspiring full-year figures. The absence of takeover developments cvlijp e pdao ucip developments clipped a couple of pence from Belhaven at 62p.

Selective buying interest was evident in the Building sector. George Wimpey firmed 5 to 213p and Barratt Developments hardened a couple of pence to 142p, the latter helped by a broker's circular. AMEC were again in demand at 270p, up 5, and Costain improved 2 to 556p. Helical Bar revived with a gain of 6 to 236p, while Tilbury Group rose 10 to 178p in response to a newsletter recommendation. Raine Industries continued to attract buyers pending the outcome of merger talks and firmed 4½ more to 86½. HAT Group, a dull market earlier in the week following disappointing results, rallied a couple of points to 90p, while Marley hardened 2 to 122p. The optimistic statement which accompanied the preliminary results continued to boost Magnet and Southerns, up 4 afresh at 188p.

Stanley Miller jumped 13 to 38p in the late dealings on the announcement that the Newcastle-based North Eastern Investment Trust had agreed to acquire a 29.9 per cent stake in the company from the Miller family trusts at 32p per share.

Occasional buying interest left ICI 10 better at 994p; the interim results are due next Thursday. Elsewhere in the Chemical sector, Thurgar Bardex put on 4½ to 53p following speculative buying, but Hickson International drifted off to close 10 lower at 420p.

Tern volatile

Tern, an extremely nervous market recently, came under further pressure and dipped to 43p but later rallied to 50p—a net gain of a penny—following agreed merger terms from Corton Beach. Revived speculative demand developed for USM-quoted Blanchards, finally 14 up at 122p. Time Products, 3½ to the good at 77p, and Underwoods, another 8 up at 190p. Ratners were again supported following the recent impressive results and put on 7 to 182p, but profit-taking left Lanca that much cheaper at 54p.

Dixons highlighted major Retailers rising 10 to 336p reflecting a favourable response to the annual results. Profit-taking left Harris Queensway 6 off at 246.

Thorn EMI, 13 better at 462p, were the pick of the Electrical leaders. STC, meanwhile, rose 4 to 160p following news of the joint venture with Cable and Wireless, 3 dearer at 688p. Elsewhere, Holmes Protection (formerly Scusa), advanced 6 to 138p on vague takeover rumours, while Bennett and Fountain edged forward a couple of pence to 27p in response to an investment recommenadtion. Quest Automation gained 3 to 33p ahead of today's trading statement and Eurotherm rallied 15 to 280p in the wake of the half-year results. Electronic Machine, on the other hand, lost 5 to 80p following the disappointing first-half figures.

Babcock International reflected favourable Press comment and rose 6 to 190p. Elsewhere in Engineers, Wagon Industrial jumped 11 to 233p following the annual results, while Hampson Industries advanced 4 to 39½p in reply to the bumper preliminary profits and proposed 10 per cent scrip-issue. Tex also moved higher after favourable trading news and finished 4 up at 124p. Bullough added 15 at 300p and Davy Corporation gained 5 at 130p. Laird, however, lost 12 at 268p on lack of support.

Among Food Retailers, J. Sainsbury held at the overnight level of 384p following a put-through of some 5m shares around the 378p level; the shares were thought to have been placed on behalf of the Sainsbury family and other directors. Tesco found support at 378p, up 6, and Argyll firmed 5 to 323p. Takeover hopes continued to boost Bejam, up 2 more at 184p, while US acquisition news prompted support for Dee Corporation which rose 5 to 237p. Elsewhere, Ranks Hovis McDougall touched 219p prior to closing 3 dearer at 216p on speculation about the possible sale by S. and W. Berisford of its near 15 per cent stake.

Speculative buying fuelled by traded option business lifted Grand Metropolitan 10 to 390p. Prince of Wales Hotels closed a couple of pence dearer at 89p despite the poor annual results.

Glaxo good again

Miscellaneous industrials staged a useful technical rally. As on Wednesday, Glaxo attracted late US support and closed 21 higher at the day's best of 993p. Beecham put on 7 at 425p and Pilkington firmed 18 to 428p; the latter following a broker's lunch with the company. Metal Box, a dull market of late on competition worries, rallied 15 to 735p. Although the interim figures from Rank Organisation came at the top end of market estimates, the shares just held the overnight level of 510p. Elsewhere, BET advanced 13 to 453p in response to the good preliminary figures, while Cowan De Groot touched 73p before closing 4 better at 71p on news of the 25 per cent dividend increase and higher annual earnings. Biddle jumped 17 to 190p following revised bid terms from Kone UK and talk of an American bid helped Briden move up 10 to 173p. Nu Swift Industries continued to reflect Hawley takeover speculation with a fresh improvement of 7 at 170p and buying in the wake of a broker's recommendation left Hunting 7 to the good at 275p. Smith and Nephew put on 6 to 132p and Thermax added 6 at 135p. A revised buying interest helped London International, at 195p, to retrieve half of the previous day's fall of 10. Gestetner's interim figures disappointed and the shares fell 7 to 147p and Ashley Industrial Trust cheapened 3 to 57p for the same reason. "Shell" situation The Times Veneer, which had jumped 7 the previous day, plummeted to 47p yesterday on the withdrawal of speculative support before rallying after-hours' to end a volatile session, 9 down on the day at 51p.

Motor Components, relatively subdued of late, returned to favour with Lucas 5 up at 583p and Armstrong Equipment 7 dearer at 127p. Dowty, expected to reveal annual results next Wednesday, hardened a few pence to 218p. A late firm feature was provided by Jonas Woodhead which advanced 8 to 63p in response to the preliminary profits recovery and encouraging statement. Elsewhere, Jaguar, down to 535p earlier, picked up to close a couple of pence to the good on balance at 540p following the latest production figures.

Paper/Printings closed a shade firmer for choice. Bunzl hardened 5 to 205p in response to the proposed purchase of specialist paper manufacturer J. R. Crompton. Wace attracted fresh speculative interest and put on 5 to 71p. Elsewhere, WPP, formerly Wire and Plastics Products, eased a few pence to 462p following the interim statement, proposed £7m rights issue and acquisition news. Spafax Television rose 6 to 121p after the interim figures, while reports that the company had been awarded the Daily Telegraph advertising account lifted Abbott Mead Vickers 10 to 240p.

The Property leaders adopted a slightly firmer stance, although business remained light. Land Securities edged up a couple of pence to 336p and MEPC improved 5 to 350p. Great Portland Estates firmed 4 to 182p. Elsewhere, I. D. and S. Rivlin revived strongly and rose 28 to 190p in a restricted market. Teps Estates gained 20 to 400p following the annual results and share sub-division proposals, while Regalian continued to respond to the London and Portsmouth property deals and advanced 20 more to 655p. Evans of Leeds firmed 4 to 108p and St Modwen put on 2 to 27½p.

Selected Textiles responded to fresh speculative demand. Burmatex advanced 10 more to 198p; the interim results are scheduled for July 29. Buyers also came in for John Beales, 14 higher at 158p, and Earlys of Witney, 12 up at 117p. Readicut revived with a gain of 2½ to a year's peak of 45p, while further consideration of the excellent full-year figures lifted Victoria Carpet 8 for a two-day improvement of 14 to 111p.

Trusts were highlighted by Kwahu which attracted speculative support late in the day and closed 8 firmer at 38p. Barrie Investments edged up ¾ to 16½p on further consideration of the unwelcome bid from Bestwood; the latter put on 25 to 580p.

Oils advance

An extension of the rally in crude oil spot prices—triggered by aggressive buying of oil futures in the US overnight and again at the opening of American markets yesterday — gave a further substantial boost to sentiment in the oil sector. BP and Shell were keenly sought and put on 12 apiece to 588p and 793p respectively while LASMO, with a 21.5 per cent stake in an oil find on Padang Island in the Indian Ocean, jumped 7 more to 108p — a two-day rise of 18; LASMO "ops" put on 10 to 180p. Britoil rallied 6 to 149p and Enterprise put on 4 to 106p, as did Tricentrol, 52p. IC Gas added 7 to 415p. Carless Capel, rumoured to be a takeover target for Powell Duffryn, touched 65p prior to ending the session a net 3 up at 63p.

The Foreign Secretary's explicit threat of further economic sanctions against South Africa unless forthcoming talks with President P. W. Botha bring "tangible and substantial progress" prompted another dull session in South African mining markets. Business in the sector contracted to minimal levels with small selling from numerous individual investors causing a gradual decline in share prices. The Gold Mines index dipped 2.2 more to 186.3, extending the decline over the past five trading days to 17.3.

Australians generally moved in a narrow range, reflecting the neutral performance of overnight Sydney and Melbourne markets. The leaders included a firm feature in Bougainville which put on 6 to 105p following a "buy" recommendation from De Zoete and Bevan; Golds, on the other hand, gave ground on profit-taking. Sons of Gwalia slipped 5 to 105p; Gold Mines of Kalgoorlie fell 5 to 370p and Poseidon retreated 10 to 115p. Diamond producer Ashton Mining attracted modest support and edged up 3 to 89p.

Traded Options

Dealers reported a lively and evenly-balanced business in Traded Options. Total contracts transacted amounted to 20,780 comprising 11,458 calls and 9,322 puts. Current favourite Hanson Trust were again to the fore with 1,704 calls and 4,809 puts struck.

FINANCIAL TIMES STOCK INDICES

	July 17	July 16	July 15	July 14	July 11	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	89.48	89.49	89.00	88.92	89.91	83.39	94.51 (18/4)	80.39 (29/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.14	96.01	95.35	96.15	96.87	88.26	97.68 (7/7)	86.55 (2/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1316.8	1306.3	1302.6	1309.9	1357.5	932.8	1425.9 (3/4)	1094.3 (14/1)	1425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	186.3	188.5	190.3	196.4	198.1	407.2	357.0 (7/1)	186.3 (17/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.19	4.23	4.24	4.22	4.14	4.99				
Earnings Yld.% (full)	10.10	10.19	10.22	10.16	9.95	12.45				
P/E Ratio (net) (*)	12.05	11.93	11.90	11.97	12.27	9.81				
Total Bargains (Est)	18,575	25,171	25,183	27,706	30,448	19,759				
Equity Turnover £m.	—	500.97	536.50	650.81	786.95	414.00				
Equity Bargains	—	18,308	21,620	24,097	27,983	16,505				
Shares Traded (ml).	—	255.0	220.3	247.3	393.4	205.6				

S.E. ACTIVITY Indices	July 16	July 15
Gilt Edged Bargains	156.8	172.2
Equity Bargains	178.1	181.1
Equity Value	1,413.6	1,484.4
5-Day average		
Gilt Edged Bargains	151.9	150.3
Equity Bargains	153.7	160.5
Equity Value	1,315.2	1,359.8

♥ Opening 1307.7 | 10 a.m. 1308.8 | 11 a.m. 1311.3 | Noon 1313.6 | 1 p.m. 1313.5 | 2 p.m. 1313.5 | 3 p.m. 1314.6 | 4 p.m. 1315.7

Day's High 1316.8. Day's Low 1307.5.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.64.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday July 17 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Wed July 16 Index No.	Tues July 15 Index No.	Mon July 14 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (212)	721.42	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (26)	816.85	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (30)	1256.12	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (12)	1862.98	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (38)	1616.87	+0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (61)	403.17	+0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	347.13	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (16)	204.73	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (22)	1204.71	+0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (183)	921.23	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (22)	924.65	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (22)	682.63	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (15)	1840.99	+1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (10)	1566.90	+1.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (28)	899.37	+0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (14)	2558.76	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Packaging and Paper (14)	479.06	+1.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (39)	875.29	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (17)	549.85	+0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (2)	1125.41	+1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (88)	771.90	+0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Chemicals (20)	925.59	+0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Office Equipment (4)	252.24	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Shipping and Transport (13)	1478.28	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Telephone Networks (2)	885.31	-0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Miscellaneous (47)	1058.33	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (483)	841.71	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (17)	1398.67	+2.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	874.52	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (117)	615.06	+0.7	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (7)	662.85	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (9)	874.29	+0.2	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	498.19	+1.5	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (9)	1105.88	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (12)	347.03	+0.6	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (50)	796.08	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (23)	342.93	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (101)	754.75	+0.2	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	254.39	-0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (14)	674.79	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (734)	797.27	+0.7	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High	Day's Low	July 16	July 15	July 14	July 11	Year ago
FT-SE 100 SHARE INDEX §	1609.3	+12.0	1609.4	1600.8	1597.3	1593.8	1597.3	1626.4	[illegible]

FIXED INTEREST

PRICE INDICES	Thurs July 17	Day's change %	Wed July 16	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	121.96	[illegible]	121.97	—	[illegible]
2 5-15 years	140.90	+0.03	140.86	—	[illegible]
3 Over 15 years	148.68	+0.06	148.59	—	[illegible]
4 Irredeemables	164.35	+0.02	164.31	—	[illegible]
5 All stocks	137.02	+0.02	136.99	—	[illegible]
Index-Linked					
6 5 years	112.90	-0.07	112.98	—	[illegible]
7 Over 5 years	115.31	-0.01	115.42	[illegible]	[illegible]
8 All stocks	114.74	-0.02	114.95	[illegible]	[illegible]
9 Debentures & Loans	120.23	+0.03	120.04	—	[illegible]
10 Preference	85.90	-0.32	86.16	—	[illegible]

AVERAGE GROSS REDEMPTION YIELDS	Thurs July 17	Wed July 16	Year ago (approx.)
British Government			
1 Low Coupons 5 years	[illegible]	[illegible]	[illegible]
2 Low Coupons 15 years	[illegible]	[illegible]	[illegible]
3 Low Coupons 25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons 5 years	[illegible]	[illegible]	[illegible]
5 Medium Coupons 15 years	[illegible]	[illegible]	[illegible]
6 Medium Coupons 25 years	[illegible]	[illegible]	[illegible]
7 High Coupons 5 years	[illegible]	[illegible]	[illegible]
8 High Coupons 15 years	[illegible]	[illegible]	[illegible]
9 High Coupons 25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables	[illegible]	[illegible]	[illegible]
Index-Linked			
11 Inflat'n rate 5% Over 5 yrs.	[illegible]	[illegible]	[illegible]
12 Inflat'n rate 5% Over 5 yrs.	[illegible]	[illegible]	[illegible]
13 Inflat'n rate 10% Over 5 yrs.	[illegible]	[illegible]	[illegible]
14 Inflat'n rate 10% Over 5 yrs.	[illegible]	[illegible]	[illegible]
15 Debs & Loans 5 years	[illegible]	[illegible]	[illegible]
16 Debs & Loans 15 years	[illegible]	[illegible]	[illegible]
17 Debs & Loans 25 years	[illegible]	[illegible]	[illegible]
18 Preference	[illegible]	[illegible]	[illegible]

§Opening index 1600.0; 10 am 1600.6; 11 am 1602.5; Noon 1605.1; 1 pm 1604.9; 2 pm 1605.0; 3 pm 1606.5; 3.30 pm 1607.9; 4 pm 1608.0

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (65)

AMERICANS (1) Pacific Gas and Elect. BANKS (1) Equity and Gen. BUILDINGS (6) [illegible] STORES (3) [illegible] ELECTRICALS (3) [illegible] ENGINEERING (5) [illegible] FOODS (2) [illegible] INDUSTRIALS (10) [illegible] INSURANCE (1) [illegible] LEISURE (1) [illegible] NEWSPAPERS (1) [illegible] PAPER (2) [illegible] PROPERTY (7) [illegible] TEXTILES (6) [illegible] TRUSTS (12) [illegible] OILS (2) [illegible] OVERSEAS TRADERS (1) [illegible] MINES (1) [illegible]

NEW LOWS (37)

BRITISH FUNDS (1) Treasy. 3pc 1991. AMERICANS (7) [illegible] CANADIANS (3) [illegible] ELECTRICALS (1) [illegible] ENGINEERING (1) [illegible] INDUSTRIALS (2) [illegible] PROPERTY (1) [illegible] TRUSTS (2) [illegible] SOUTH AFRICANS (1) [illegible] OILS (1) Woodside Pet. MINES (16).

BASE LENDING RATES

	%		%
ABN Bank	10	Exeter Trust Ltd.	10½
Allied Arab Bank Ltd.	10	Financial & Gen. Sec.	10
Allied Dunbar & Co.	10	First Nat. Fin. Corp.	11
Allied Irish Bank	10	First Nat. Sec. Ltd.	11
American Express Bk.	10	● Robert Fleming & Co.	10
Amro Bank	10	Robert Fraser & Ptrs.	11
Henry Ansbacher	10	● Grindlays Bank	‡10
Associates Cap Corp.	10	● Guinness Mahon	10
Banco de Bilbao	10	● Hambros Bank	10
Bank Hapoalim	10	Heritable & Gen. Trust	10
Bank Leumi (UK)	10	● Hill Samuel	§10
Bank Credit & Comm.	10	C. Hoare & Co.	†10
Bank of Cyprus	10	Hongkong & Shanghai	10
Bank of Ireland	10	Knowsley & Co. Ltd.	10½
Bank of India	10	Lloyds Bank	10
Bank of Scotland	10	Mase Westpac Ltd.	10
Banque Belge Ltd.	10	Meghraj & Sons Ltd.	10
Barclays Bank	10	Midland Bank	10
Beneficial Trust Ltd.	11	● Morgan Grenfell	10
Brit. Bk. of Mid. East	10	Mount Credit Corp. Ltd.	10
● Brown Shipley	10	National Bk. of Kuwait	10
CL Bank Nederland	10	National Girobank	10
Canada Permanent	10	National Westminster	10
Cayzer Ltd.	10	Northern Bank Ltd.	10
Cedar Holdings	10	Norwich Gen. Trust	10
● Charterhouse Bank	10	PK Finans. Intl. (UK)	10½
Citibank NA	10	Provincial Trust Ltd.	11
Citibank Savings	†10¾	R. Raphael & Sons	10
City Merchants Bank	10	Roxburghe Guarantee	10½
Clydesdale Bank	10	Royal Bank of Scotland	10
Comm. Bk. N. East	10	Royal Trust Co. Canada	10
Consolidated Credits	10	Standard Chartered	10
Continental Trust Ltd.	10	Trustee Savings Bank	10
Co-operative Bank	*10	TCB	10
The Cyprus Popular Bk.	10	UDT Mortgage Express	10
Duncan Lawrie	10	United Bank of Kuwait	10
E. T. Trust	10½	United Mizrahi Bank	10
Equatorial Tst Corp. plc.	11	Westpac Banking Corp.	10
		Whiteaway Laidlaw	10½
		Yorkshire Bank	10

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.05%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. † Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 51,191

A=Ask B=Bid C=Call P=Put

TRADITIONAL OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
July 7	July 18	Oct 9	Oct 20
July 21	Aug 1	Oct 23	Nov 3
Aug 4	Aug 15	Nov 6	Nov 17

For rate indications see end of Unit Trust Service

Stocks favoured for the call included Pavion, Abaco Investments, Hyman, Thurgar Bardex, IBL, Densitron, Anglo Nordic, Electronic Rentals, Pentland, Britoil, Epicure, Guinness, Johnson and Firth Brown, North Sea and General and East Rand Consolidated. A put was taken out in Audiotronic, while doubles were transacted in Abaco and Burnett and Hallamshire.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
BET Deferred	463	+13	Holmes Protection	138	+6
Blanchards	122	+14	Pilkington Bros.	428	+18
Boots	242	+6	Ratners	182	+7
Deutsche Bank	520	-7	Saatchi and Saatchi	705	—
Gestetner	147	-7	Standard Chartered	743	+11
Hampson Industries	39½	+4	Stroud Riley	139	+6

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Wed. close	Day's change	Stock	No. of changes	Wed. close	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	36	3	[illegible]
Corporations, Dominion and Foreign Bonds	10	4	[illegible]
Industrials	346	199	857
Financial and Properties	142	71	364
Oils	28	14	[illegible]
Plantations	1	—	15
Mines	12	61	122
Others	57	60	[illegible]
Totals	633	436	1,778

LONDON TRADED OPTIONS

Option		CALLS			PUTS		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

July 17. Total contracts 20,780. Calls 11,458. Puts 9,322. *Underlying security price.

هكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA

July 17	Price Sch.	+ or —
Credit'nst'lt pp	2,190	—40
Goesser	3,400	—50
Interunfall	14,100	—350
Jungbunzlauer	17,600	......
Laenderbank	2,170	—60
Perlmooser	610	—5
Steyr Daimler	161	......
Veitscher Mag	10,930	—5

BELGIUM/LUXEMBOURG

July 17	Price Frs.	+ or —
B.B.L.	3,100	......
Banq. Gen. Lux	15,500	......
Banq. Int.A.Lux	14,600	......
Bekaert	11,525	—25
Ciment CBR	5,735	+130
Cockerill	135	......
Delhaize	3,150	......
EBES	4,545	+60
Electrobel	14,985	......
Fabrique Nat	2,040	+40
GB Inno BM	7,350	+40
GBL (Brux)	3,150	+10
Generale Bank	6,950	......
Gevaert	5,740	—20
Hoboken	7,110	—90
Intercom	2,560	......
Kredietbank	15,700	—300
Pan Hldgs	11,250	......
Petrofina	8,720	—20
Royale Belge	25,700	+100
Soc. Gen. Belge	2,930	+70
Sofina	9,830	+230

[illegible]

GERMANY

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Prices at 2.30pm July 17

[illegible]

177738 Nva AltA f	470	465	465	
4110 Nowsco W	$11¼	11¼	11¼	
9000 Nu West	31½	31	31	−1
1100 Numac	$7⅜	7⅜	7⅜	+⅛
50 Oakwd A f	130	130	130	
1263 Ocelot B f	275	275	275	
2560 Omega Hyd	435	435	435	
25995 Oshawa A f	$23¾	23½	23¾	+⅛
142200 PacW Airl	$16⅛	16	16⅛	
14200 Pgurin A f	$15¼	15⅛	15¼	+⅛
1050 Pamour	$9½	9½	9½	
4000 PanCan P	$24	23¾	23¾	
1490 Pegasus	$8	8	8	
6800 PJewl A f	$12⅝	12½	12½	−¼
790 Pine Point	$9½	9	9½	+½
4248 Placer D	$24⅜	24⅛	24⅛	−¼
1900 Poco Pet	$8¼	8⅛	8⅛	−⅛
82200 Powr Cor f	$17¾	17½	17½	
2550 Precamb	325	325	325	
535 Que Sturg	390	385	390	−10
54847 Ranger	$5⅛	495	495	−5
800 Rayrock f	$5¾	5¾	5¾	
8200 Redpath	$29	28½	28¾	−¼
2000 Regionl R	200	190	200	
600 Reitmen A f	$30¼	30	30	
950 Rio Algom	$25⅜	25⅜	25⅜	−⅛
15745 Rogers B f	$24	22¾	23¾	+1
1500 Roman	$9⅛	9⅛	9⅛	−¼
97285 Royal Bnk	$32½	32⅜	32½	
5794 RyTrco A	$30⅝	30¼	30⅝	+⅜
4035 Royex	320	310	315	
280 SHL Syst	$23	23	23	
2000 StL CemA f	$18¼	18	18	
45000 Sceptre	258	250	250	
2370 Scot Paper	$17¾	17⅝	17⅝	−⅛
7110 Scotts f	$38½	38¼	38½	−⅛
20935 Seagram	$79½	79	79	
48055 Sears Can	$14⅜	14⅛	14⅛	−⅛
11213 Shell Can	$20¾	20⅛	20⅛	−⅜

[illegible]

65500 Wajax A	$16⅜	16⅜	16⅜	
8309 Walker R	$36⅜	36¼	36¼	
500 Walburne	$16½	16⅛	16⅛	+⅛
1650 Wcoast T	$13½	13⅜	13½	
2000 Westmin	$7¼	7¼	7¼	−⅛
1100 Weston	$33	33	33	
25106 Woodwd A	$7	7	7	

f—No voting rights or restricted voting rights

MONTREAL

Closing prices July 16

48872 Bank Mont	$32¼	32	32	
16206 BombrdrA	$22	21⅞	22	+¼
19059 BombrdrB	$22½	21½	22½	+1
1200 CB Pak	$27½	27	27½	+½
42555 Cascades	$16¼	15⅞	16	−⅛
45362 ConBath	$24½	24⅛	24½	+⅜
2476 DomTxtA	$18⅝	18½	18⅝	−⅜
2100 MntTrst	$11⅝	11⅝	11⅝	
31971 NatBk Cda	$26⅞	26¾	26¾	
6780 Novorco	$12¼	12	12⅛	
72771 Power Corp	$17⅝	17	17⅝	+⅞
9887 Provigo	$21	20¾	21	−⅛
650 RollandA	$29½	29½	29½	
77457 Royal Bank	$32⅝	32⅛	32⅝	+⅛
72380 RoyTrstco	$30⅞	30⅛	30⅛	−⅛
1150 SteinbrgA	$42¾	42½	42½	−½

Total Sales 3,141 270 shares

Indices

NEW YORK—DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

[illegible]	[illegible]	13½	−½	US X Gp	1,123,800	18¼	−⅜
Ar Dry Gas	1,342,400	61½	+2⅜	Puget Sow	1,117,700	23¾	+¼

Advances 928 Declines 617

TORONTO	July 17	July 16	July 15	July 14	1986 High	1986 Low
Metals & Minls	1,955.8*	1,963.5	1,980.3	1,984.5	2,442.85 (21/3)	1,963.5 (17/7)
Composite	2,972.3*	2,978.4	2,978.8	2,989.3	3,129.11 (18/4)	2,754.8 (17/2)
MONTREAL Portfolio	1,481.71*	1,486.86	1,490.60	1,505.61	1,623.33 (16/4)	1,386.6 (22/1)

* Indicates pre-close figure

	July 17	July 16	July 15	July 14	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	1126.9	1127.0	1122.2	1157.1	1247.0 (7.5)	1010.8 (2/1)
Metals & Mnls. (1/1/80)	486.9	494.5	493.2	505.4	602.0 (24/3)	481.1 (28/5)
AUSTRIA						
Creditbk Aktien(30/12/84)	236.70	238.11	239.10	239.61	266.64 (25/4)	228.58 (5/3)
[illegible]						
M.S. Capital Intl. (1/1/70)	—	320.8	319.9	321.6	331.4 (4/7)	249.8 (23/1)

** Saturday July 12: Japan Nikkei (c). TSE (c).

Base value of all Indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 39

[illegible]

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES

Armstr Eq	127	+ 7
BET Defd.	453	+13
Beales (J.)	158	+14
Beecham	425	+ 7
Biddle	190	+17
Boots	242	+ 6
Bridon	173	+10
BP	583	+12
Britoil	149	+ 6
Burmatex	198	+10
Glaxo	993	+21
Grand Met.	390	+10
Hampson Inds.	39½	+ 4
Helical Bar	236	+ 6
Holmes Prot	138	+ 6
ICI	994	+10
LASMO	108	+ 7
Nu-Swift Inds	170	+ 7
Raine Inds.	86½	+ 4½
Regal Props.	655	+20
Riv (I.D.&S.)	190	+28
Thorn EMI	462	+13
Tilbury	178	+10
Vict Carpet	111	+ 8
Woodhead (J.)	63	+ 8

FALLS

Elect Mach	80	− 5
Gestetner	147	− 7
Laird	268	−12
Lanca	54	− 7
The Times Ven	51	− 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, July 17

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	13½	AAR s	.44	1.9	18	161	23⅛	22⅝	22⅝	
30	21¾	ADT	.92	4.1		105	22¾	22¼	22¼	−⅛
33	11½	AFG s			25	621	30¾	30⅛	30⅛	−⅞
25⅜	13¾	AGS			13	77	17⅞	17½	17⅞	+⅛
15	9⅞	AMCA				11	11½	11½	11½	+⅛
60⅝	37½	AMR			10	4033	48¾	47⅞	48⅝	+1⅛
27½	23¼	ANR pf2.67		10.		2	26¼	26¼	26¼	+⅝
12½	6	APL			6	1	11¼	11¼	11¼	
16¾	11⅛	ARX	.71t	6.0	11	70	11⅞	11¾	11¾	−⅛
51	26¾	ASA	2a	6.6		168	30¾	30⅜	30½	
16⅝	10½	AVX		2.8		163	11¾	11	11¼	−⅜
32	22⅝	AZP	2.72	8.7	8	743	31¼	31	31⅛	
56	26⅝	AbtLb s	.84	1.7	23	2208	49⅝	48⅝	49⅛	+1
32	19⅝	AccoWd.56		2.1	18	1203	27⅜	27	27	−1½
17	10	AcmeC .40		3.6		32	11⅛	11	11	
9¼	7	AcmeE.32b		4.1	19	1	7⅞	7⅞	7⅞	+⅛
20¾	17	AdaEx 1.90e		9.4		90	20⅜	19⅞	20¼	+¼
33⅝	16	AdmMl .40		1.3	14	3	31⅛	31	31	+⅛
20⅝	11¼	AdvSys.83t		4.9	15	111	16⅞	16⅝	16⅞	+¼
32⅞	14¼	AMD				3913	15	14½	14⅞	+⅜
12⅝	6¾	Adobe n				45	7	6⅞	7	
18⅝	14⅝	Adob pf1.84		12.		174	15	14¾	15	+¼
20¼	15¼	Adob pf2.40		13.		41	18½	18⅝	18½	
18⅝	7⅜	Advest .12a		.8	13	118	15⅞	15¾	15¾	−⅛
66¼	42¼	AetnLf 2.64		4.5	11	917	59⅛	58⅝	58⅞	+⅜
57½	51½	AetL pf4.28e		8.1		5	52¾	52¾	52¾	+¼

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from Page 38

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, July 17

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 37

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Signs of technical recovery

FURTHER SIGNS of a technical recovery were evident on Wall Street yesterday as the latest instalment of corporate earnings figures was released, *writes Paul Hannon in New York.*

Some of the gloss was removed, however, by the latest data on housing starts which showed a 0.8 per cent drop in June. This, combined with the recent stream of poor industrial and general economic data, suggests the US economy is still weak. The bond market edged nervously lower.

At 3pm the Dow Jones industrial average was up 10.13 at 1784.31.

IBM showed an early measure of stability after three sessions that took the computer group's share price down more than $10. Big Blue recouped $1½ to $133⅞ in heavy turnover.

Among other blue chips, General Motors firmed $¼ to $74⅜, while Sears added $⅜ to $42½ and Merck, which reported a 28 per cent surge in second quarter profits, jumped $2⅝ to $101¼ in light turnover.

Lower results for AT&T triggered a wave of selling that took the telecommunications group down $⅛ to $23⅞.

The steel sector was particularly active as LTV, which announced plans to seek Chapter 11 protection, returned to trade $2⅜ down to $2 in heavy trading. Bethlehem Steel, also very active, fell $1⅛ to $11⅞ after a Paine Webber analyst recommended immediate sales of the issue.

Inland Steel, which reported a turnround in second-quarter figures, held steady at $8⅞ in light trading. USX, formerly US Steel, gave up $⅛ to $18½ and Armco at $7½ was $⅜ down.

Among consumer oriented-stocks reporting quarterly figures, Walt Disney gained $1½ to $48⅞ as the group's theme parks recorded solid growth for its third quarter, Coca-Cola held steady at $41½ after second-quarter profits of $225m against $193m, and Philip Morris lost $⅞ to $71⅞ on its higher earnings per share.

The merger plan of two large retailers was warmly greeted with a $2⅛ advance to $60⅞ for Associated Dry Goods and a rise of $1⅛ to $73⅞ for May, which has been weak in recent sessions before the announcement.

Coleco Industries, the games to home computers group, lost $⅛ to $11⅛ in swift response to its plunge in second-quarter results.

American Can, one of the constituents of the Dow industrial average, jumped $5⅞ to $80⅛ after Triangle Industries agreed to buy its packaging interests for $570m. Triangle, a metal fabricator and vending equipment maker, had a delayed start to trading but jumped $3 to $24⅞ later.

BankAmerica slipped $⅝ to $13⅜ in heavy turnover in continued reaction to its unexpected $640m second-quarter loss, while Litton Industries retreated $⅝ to $74 in response to the Pentagon barring the defence group from bidding on military contracts after its admission of fraud on government work.

The technology work sector showed a recovery with Burroughs up $⅛ to $67⅛, NCR managed a $⅛ advance to $50⅛ and Cray Research jumped $1⅛ to $87⅞.

The bond market lost more ground as investors mulled over the implications of the latest economic data. Slower housing starts combined with lower industrial capacity figures, weaker business sales and depleted inventories for May would point to a flagging economy and boost hopes for a further move on rates by the Federal Reserve.

But dealers cite growing unease over the scale of the Government's borrowing needs which were partially disclosed late on Wednesday when the Treasury announced plans to auction about $10bn in new 10-year notes next week.

Analysts also expect the Treasury to sell up to $30bn of securities in its quarterly funding operation in August.

Yields are expected to rise if such a hearty diet of bonds is to attract investors.

The Treasury's key long bond, the 7¼ due in 2016, lost ⅜₂ at 100²⁹⁄₃₂ to yield 7.19 per cent compared with Tuesday's 7.15 per cent yield. The 10-year issue, 7⅜ of 1996, firmed ⅟₃₂ at 101¹⁵⁄₃₂ to yield 7.15 per cent.

Federal funds held at 6⁷⁄₁₆ after touching an early 6⅜ low.

The rate on the Treasury three month bill was 6 basis points lower at 5.75 per cent, while the six-month issue was two basis points off at 5.83 per cent.

The one-year bill was down one basis point at 5.85 per cent.

EUROPE

Reaction to softer prices

A TECHNICAL reaction to two days of softer price levels was mainly responsible for leading German shares closing mostly near the day's highs in Frankfurt. However, dealers said operators were still cautious.

The Commerzbank index, calculated at mid-session, rose 14.6 to 1,804.3 in moderate trading.

Sports manufacturer's Puma shares, which were launched at DM 310, were bid at DM 430 and subscriptions closed early.

The Bundesbank said after yesterday's regular meeting of its council that it had left credit policies unchanged, with the discount rate at 3.5 per cent.

Among bank issues Deutsche closed with an advance of DM 15 to DM 753. Dresdner put on DM 9.5 to DM 390.5, while Commerzbank gained DM 7 to DM 287.8.

Vehicle group VW, which plans to raise domestic prices of all its cars by an average of 1.7 per cent when the new model year begins next Monday, put on DM 12 to DM 460, while BMW gained DM 4 to DM 562. Daimler-Benz rose DM 41 to DM 1,310.

Blue chip electrical Siemens rose DM 4.8 to DM 598.50 and AEG added DM 2.5 to DM 289.50.

Insurer Allianz advanced DM 45 to DM 2,085, while among utilities Veba gained DM 4.50 to DM 240.

Paris was narrowly mixed in quiet activity and movement was mainly restricted to second-liners. The market atmosphere was calm after Prime Minister Jacques Chirac indicated that his Government would not be responsible for precipitating a political crisis. Figures showing that both the French trade deficit and unemployment fell in June encouraged investors, many of whom had taken to the sidelines ahead of the bourse month settlement day next Wednesday.

Among gainers Damart was up FFr 80 to FFr 2,000 and Peugeot FFr 13 ahead of FFr 955.

Moulinex dropped FFr 3.4 to FFr 66.1 and Moët-Hennessy fell FFr 34 to FFr 2,201. Foreign shares were mixed.

In **Amsterdam**, trading was also quiet and shares closed mixed. Royal Dutch put on Fl 2.3 to Fl 191, while Akzo fell 70 cents to Fl 161.1.

Milan closed higher in fairly active trading, as did **Madrid**, where activity was quiet.

Stockholm, Oslo and **Zurich** were steady while **Brussels** was mixed with a firmer bias.

LONDON

THE RECOVERY movement in London's equity markets continued yesterday but there were few signs of any substantial investment demand. The FT Ordinary share index closed at the day's best with a rise of 10.5 at 1,316.8, while the more broadly based FT-SE 100 share index rose 12 points to 1,609.3.

Government securities also maintained the previous day's better trend and added further small gains.

Wall Street's overnight performance provided little encouragement for dealers, although some bear closing in the international stocks saw the market off to a bright start.

The underlying tone was also given a boost by a form performance in the oil sector as spot crude prices continued to recover from recent record lows. British Petroleum posted a particularly good gain of 12p to 583p.

Chief price changes, Page 37; Details, Page 36; Share information service, Page 33–34.

HONG KONG

SELLING PRESSURE from overseas institutions was offset in Hong Kong by pared losses on fresh local buying in fairly active trading.

The Hang Seng index ended 3.67 lower at 1,759.71 after sinking below the important chart point of 1,750 in early trading as a Middle East institution led selling in HK Land and other blue chips.

HK Land closed down 15 cents at HK$5.85.

TOKYO

Strong yen boosts utilities

UTILITIES benefiting from the strong yen drew much buying in Tokyo yesterday as the yen spurted to an all-time high against the dollar and the Nikkei average turned up to close 24.73 higher at 17,725.63, *writes Shigeo Nishiwaki of Jiji Press.*

The indicator had temporarily registered a 63 point gain on volume totalling 756.00m shares, compared with Wednesday's 733.01m. Losers outpaced gainers 489 to 402, with 120 issues unchanged.

Investors remained cautious in the morning due to the strengthened margin trading regulations by the Tokyo Stock Exchange and fears of another drop on Wall Street. Interest in steels and shipbuilding issues was fading rapidly.

But as the yen finished morning trading at 156.65 to the dollar, investors rushed to buy utilities. Tokyo Electric Power rose Y200 to Y4,580, hitting another record, and its trading was the ninth largest in volume at 12.54m shares, but the highest in value terms.

Tokyo Gas was placed fourth with 20.39m shares, adding Y22 to Y552, while Kansai Electric Power and Chubu Electric Power jumped Y120 to Y3,110 and Y200 to Y3,300, respectively.

Among oils Nippon Oil climbed Y20 to Y1,300, Showa Shell Sekiyu Y80 to Y1,140 and Toa Nenryo Kogyo Y30 to Y1,990.

Railways serving the Tokyo Bay area gained ground on massive buying that mirrored redevelopment projects in the area and expectations of fare rises. Keisei Electric Railway rose Y35 to Y665 on the day's busiest trading of 36.00m shares, Tobu Railway finished Y15 higher at Y675 and Tokyo advanced Y40 to Y1,080.

On rumours of cornering by speculators, Kyokuyo gained Y50 to Y620 and Toyo Tire and Rubber soared Y80 to Y315. Taiyo Fishery drew buy orders for 18m shares when it rose Y14 to Y430.

Among low-priced large-capital stocks, Nippon Steel, the second busiest on 32.56m shares, dipped Y1 to Y192 and Nippon Kokan lost Y5 to Y214 on a volume of 22.83m shares, third on the list. Ishikawajima-Harima Heavy Industries, however, rose Y3 to Y339.

Most blue chips declined due to the yen's further appreciation, with NEC falling Y30 to Y1,300 and Hitachi Y13 to Y790.

Over-the-counter bond trading was slow as institutional investors and dealers, expecting a fourth cut this year in Japan's official discount rate, were disappointed by an easing in US bond prices and a repeated denial by Mr Satoshi Sumita, the Bank of Japan Governor, of a discount rate cut despite the steep appreciation of the yen.

In light inter-broker trading, the benchmark 6.2 per cent government bond maturing in July 1995 was bought with its yield sagging from Wednesday's 4.755 per cent to 4.750 per cent. Later profit taking pushed up the yield to 4.775 per cent.

AUSTRALIA

LACKLUSTRE ACTIVITY saw Sydney close steady, with investors looking abroad for direction. The All Ordinaries index ended down 0.1 at 1126.9.

Brokers said operators had adopted a wait-and-see attitude amid signs that the index might break the 1,120 barrier.

BHP was steady at A$8.20 on thin turnover. CSR lost 2 cents to A$2.95 and Bell Resources added five to A$3.80.

Industrial issues closed weaker on balance, following profit-taking among quality stocks.

Lend Lease, IEL and Adsteam each dropped 10 cents to A$7.80, A$6.50 and A$11.40, respectively.

Woolworth fell 6 cents to A$2.90

SOUTH AFRICA

CURRENCY FACTORS and inflation fears kept the market higher again in Johannesburg.

Heavyweight gold issue Vaal Reefs ended R4 higher at R247. Driefontein gained R1 to R56.

Diamond share De Beers ended 10 cents up at R31.40, after surging to R32 earlier.

Industrial leader Barlow Rand put on 20 cents to R18.9, while SA Breweries dropped 25 cents to R11.75.

Sime Darby was steady at S$1.45, as was SIA at S$7.30.

SINGAPORE

BARGAIN-HUNTING and short covering in quiet trading caused prices to close broadly higher in Singapore and the Straits Times industrial index rose 11.21 to 745.39.

Brokers said that the market still lacked fresh factors and that most operators preferred the sidelines, although some were buying selected blue chips and quality stocks. Interest was also shown in trustee counters, resulting in double-digit gains.

Singapore Press gained 35 cents to S$8.10 on speculative buying following market talk of a possible increase in local advertising rates.

CANADA

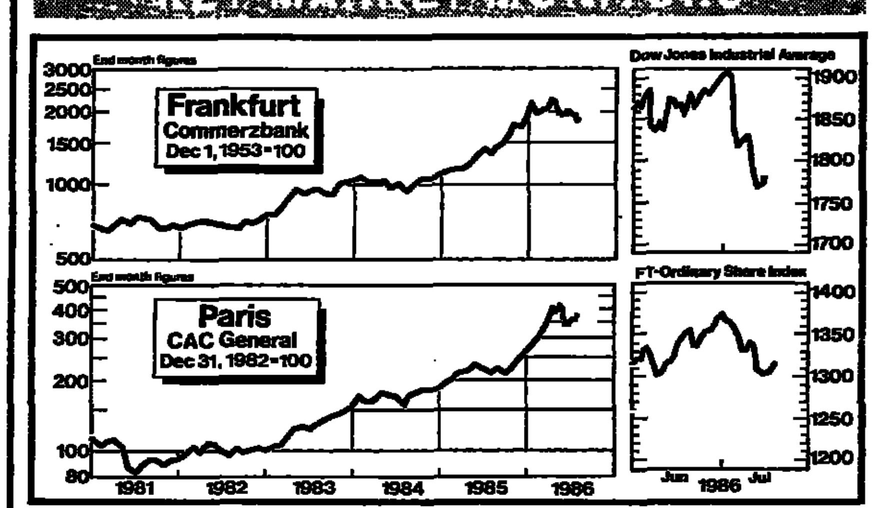
MODERATE ACTIVITY sent prices lower in Toronto, despite gains on Wall Street as utilities and metals and mines paced the decline.

Industrials strengthened although actives traded mixed. Moore Corp gained C$¼ to C$35⅛, Stelco A was steady at C$24 and Pacific Western Airlines eased C$⅛ to C$16.

Banks were little changed. Bank of Nova Scotia was steady at C$16 and Toronto Dominion Bank rose C$⅛ to C$23.

Montreal was also lower.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	July 17	Previous	Year ago
DJ Industrials	1,786.84*	1,774.18	1,357.97
DJ Transport	726.88*	723.63	702.60
DJ Utilities	201.97*	200.92	168.34
S&P Composite	236.38*	235.01	195.65
LONDON			
FT Ord	1,316.8	1,306.3	932.8
FT-SE 100	1,609.3	1,597.3	1,247.3
FT-A All-share	797.37	791.95	602.04
FT-A 500	874.32	867.89	655.39
FT Gold mines	186.3	188.5	407.2
FT-A Long gilt	9.48	9.50	10.16
TOKYO			
Nikkei	17,725.63	17,700.90	12,846.5
Tokyo SE	1,384.18	1,376.30	1,043.10
AUSTRALIA			
All Ord.	1,126.9	1,127.0	912.8
Metals & Mins.	495.9	494.5	513.3
AUSTRIA			
Credit Aktien	235.70	238.11	96.27
BELGIUM			
Belgian SE	3,664.62	3,658.04	2,294.97
CANADA			
Toronto			
Metals & Minls	1,955.6*	1,963.4	1,982
Composite	2,972.3*	2,976.4	1,956.5
Montreal			
Portfolio	1,491.71*	1,490.00	138.73
DENMARK			
SE	n/a	203.44	211.38
FRANCE			
CAC Gen	368.60	368.30	219.6
Ind. Tendance	141.10	141.00	81.5
WEST GERMANY			
FAZ-Aktien	598.07	594.32	469.46
Commerzbank	1,804.30	1,789.70	1,377.0
HONG KONG			
Hang Seng	1,759.71	1,763.38	1,647.90
ITALY			
Banca Comm.	671.00	654.37	351.84
NETHERLANDS			
ANP-CBS Gen	289.60	288.50	215.1
ANP-CBS Ind	289.50	288.80	182.8
NORWAY			
Oslo SE	349.85	350.12	337.00
SINGAPORE			
Straits Times	745.39	734.18	727.55
SOUTH AFRICA			
JSE Golds	–	1,275.7	985.1
JSE Industrials	–	1,205.4	1,038.5
SPAIN			
Madrid SE	171.23	171.18	81.58
SWEDEN			
J & P	n/a	2,467.27	1,307.74
SWITZERLAND			
Swiss Bank Ind	528.20	527.60	454.5
WORLD	July 16	Prev	Year ago
MS Capital Int'l	320.6	319.9	224.3

COMMODITIES

(London)	July 17	Prev
Silver (spot fixing)	332.45p	336.10p
Copper (cash)	£875.50	£882.50
Coffee (September)	£1,937.00	£1,891.50
Oil (Brent blend)	$9.95	$9.65

GOLD (per ounce)

	July 17	Prev
London	$347.25	$347.25
Zürich	$347.60	$347.70
Paris (fixing)	$348.73	$349.66
Luxembourg	$347.75	$348.70
New York (Aug)	$348.10*	$348.90

* Indicates latest pre-close figure

CURRENCIES

(London)	US DOLLAR July 17	US DOLLAR Previous	STERLING July 17	STERLING Previous
$	–	–	1.5160	1.5135
DM	2.1475	2.1495	3.2550	3.2525
Yen	157.30	158.35	238.50	239.75
FFr	6.9350	6.9425	10.5150	10.5075
SFr	1.7445	1.7420	2.6450	2.6375
Guilder	2.4180	2.4205	3.6650	3.6625
Lira	1,473.5	1,475	2,234.0	2,232.5
BFr	44.30	44.40	67.15	67.20
C$	1.3745	1.3760	2.0820	2.0830

INTEREST RATES

Euro-currencies (3-month offered rate)	July 17	Prev
£	10	10
SFr	4¹⁵⁄₁₆	5⅛
DM	4⅝	4⅝
FFr	7⅛	7⅛
FT London Interbank fixing (offered rate)		
3-month US$	6⅝₁₆	6⅝₁₆
6-month US$	6⅝₁₆	6⅝₁₆
US Fed Funds	6⁷⁄₁₆*	6⅝₁₆
US 3-month CDs	6.20*	6.425
US 3-month T-bills	5.705*	5.94

US BONDS

Treasury

		July 17 Price	July 17 Yield	Prev Price	Prev Yield
7⅞	1988	100²⁴⁄₃₂	6.573	100²⁵⁄₃₂	6.565
7¼	1993	100²⁴⁄₃₂	7.101	101⅛₂	7.042
7⅜	1996	101¹⁵⁄₃₂	7.306	101²⁴⁄₃₂	7.122
7¼	2016	100²⁹⁄₃₂	7.196	101¹⁴⁄₃₂	7.132

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	July 17* Day's change	Yield	Day's change
1–30	154.31	−0.14	7.21	+0.01
1–10	146.60	+0.07	7.00	−0.01
1–3	137.50	+0.78	6.69	+0.00
3–5	148.74	+0.10	7.16	−0.01
15–30	182.03	−0.89	7.94	+0.05

Source: Merrill Lynch

Corporate	July 17 Price	July 17 Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	91⅝	6.31	92¼	6.12
SCBT South Central				
10⅞ Jan 1993	106.60	9.23	107.10	9.18
Phibro-Sal				
8 April 1996	99½	8.05	100	8.00
TRW				
8¾ March 1996	103.70	8.13	104.20	8.08
Arco				
9⅞ March 2016	105	9.36	105.30	9.33
General Motors				
8⅛ April 2016	92⅝	8.90	93.20	8.83
Citicorp				
9⅜ March 2016	98	9.58	98.35	9.54

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	99-26	100-13	99-04	100-05
US Treasury Bills (IMM) $1m points of 100%				
Sept	94.52	94.52	94.45	94.50
Certificates of Deposit (IMM) $1m points of 100%				
Sept	n/a	n/a	n/a	93.96
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	93.57	93.60	93.55	93.62
20-year Notional Gilt £50,000 32nds of 100%				
Sept	120-28	121-07	120-13	120-23

* Latest available figures

Paul Hannon looks at the US holiday boom which failed to materialise

Chilly outlook for summer earnings hopes

FEARS OF terrorism in Europe and along the Mediterranean coast have kept many American tourists at home this summer. With cheaper petrol and a weak dollar dissuading foreign travel, it is not surprising that many sectors on Wall Street expected bumper domestic earnings as a result.

First indications, however, are that these hopes will be dashed. Earlier this year many Wall Street analysts forecast a strong upturn for domestic airlines, hotel/motel groups, restaurant/fast food outlets and recreational stocks.

To date, only isolated gains have been recorded and the flattened state of the economy suggests that what was first termed a "stay-at-home" summer may be literally that.

But within the sectors there are bright spots.

Among airlines, UAL, which operates the largest domestic carrier, United Airlines as well as the 48-unit Westin hotel chain, and Hertz, the car rental company, is ideally placed to benefit from any upturn in domestic holidaymaking.

UAL has embarked on an ambitious programme of expansion which netted it Pan Am's Pacific division last year and Frontier Airlines, from the troubled discount carrier People Express, last week.

Analysts described UAL's cash flow as excellent and stress the fact that the group owns most of its aircraft, providing for annual depreciation charges of more than $600m by the end of the decade. Since it purchased Hertz from RCA for $587m it has jettisoned the unit's small business services operations and plans to sell equity interests in 24 Westin properties, which could generate up to $1.5bn in cash that is likely to be pumped into the airline and car operations.

One of the problems facing UAL and most of the other airlines is that they are heavily dependent on business travel and to maintain their market share they are dependent on fare discounting.

Lower ticket prices definitely boosted first-quarter "revenue passenger miles", but some estimates suggest that perhaps 80 per cent of the industry's traffic in the first three months of the year was achieved at less than full fare and that the average discount exceeded 50 per cent. The contraction of People Express might remove some of the pressure to keep up the pace of discounting.

Industry revenue in the first quarter advanced less than 2 per cent, while total operating expenses – largely due to fleet expansion and modernisation – rose 8 per cent. Lower fuel costs have managed to redress the balance somewhat, but the amount of red ink dripping from many airline balance sheets (first-quarter losses exceeded $500m) is still daunting.

1985/86 COMPANY PRICE ($) July 17

COMPANY	PRICE	HIGH	LOW
UAL	49⅝	64⅜	45
Marriott	31	39	17
McDonald's	70⅜	78⅜	41½
Wendy's	14⅜	17⅞	11½
Pillsbury	74	82⅝	48
Walt Disney	46⅞	54⅞	20⅝
Thousand Trails	5⅞	15⅜	4
Caesar's World	19⅝	22⅝	13½
Circus Circus	19⅝	42⅝	19⅝
Champion Spark Plug	9⅝	11⅞	7⅜

UAL is one of a handful of stocks likely to prosper should domestic tourism take off this summer. Mr Marshall Acuff, senior analyst at Smith Barney, Harris Upham, says that a strong summer boost was expected for dozens of issues but as time goes by "the thesis looks less credible".

"The economy is in a worse state than we thought and although tourism is likely to show gains, it is still a function of the economy," Mr Acuff says.

The lodging industry (hotels/motels) is also suffering from intense competition and weaker business demand.

Marriott, the first of the large groups to report second-quarter figures, revealed an earnings gain of 21 per cent on a sales gain of 9 per cent. Net income for the first half totalled $86.3m (63 cents a share) compared with $70.7m (53 cents). Sales exceeded $2.1bn compared with $1.8bn in 1985. It is currently trading on a p/e of about 24, low compared with some of its competition.

Much of the group's growth has come from non-hotel business such as in-flight catering and contract food activities. Its $500m takeover of Saga, the California restaurant and food services group, will strengthen Marriott's broadening base. Marriott also boosted its fast food business through the selective retention of most of the Howard Johnson restaurants it bought last year for $300m and their incorporation into its Big Boy chain.

The near exemplary performance of Marriott must be placed in the context of the broader lodging industry, which is suffering from a chronic oversupply of space. New hotel construction is beginning to drop as shown by first-quarter estimates of a decline of more than 15 per cent in new starts on a square footage basis.

Wall Street remains cautious of the sector as a whole and does not expect any kind of miracle to occur this summer.

The fast food/restaurant industry is also a patchwork of success and failure. McDonald's reigns supreme with total industry sales last year at $120bn underpinned by aggressive overseas expansion which accounted for 22 per cent of revenues and 17 per cent of profits. Its p/e of 21 is substantially higher than that of its prime competitors, which are currently trading on an average of 17.

The chain, which franchises and operates nearly 9,000 restaurants worldwide, is in a renewed battle with Burger King (part of the Pillsbury convenience foods group) and Wendy's. Americans are apparently eating more hamburgers, but not necessarily at fast food outlets.

Industry turnover is growing but at a reduced pace, while the individual corporate expansion is tied more to additional outlets as turnover at existing locations declines.

After higher third-quarter results released yesterday, a summer bonanza is expected for Walt Disney with Disneyworld and Disneyland acting as powerful regional and international magnets. Revenue exceeded $2bn for the first time last year and is expected to approach $2.5bn this year. With net margins returning to 9.4 per cent, profits are forecast at more than $230m. Its relatively high price/earnings ratio of 35 reflects clearly the esteem Wall Street affords the group.

Admissions at the theme parks have been strong enough to enable a price rise, with the prospect of another later in the season. The group's animation division has released "The Great Mouse Detective" leaving it virtually unchallenged for the vital and highly lucrative children's summer entertainment market.

Few can compare with Disney. Thousand Trails, the largest owner and operator of membership-based resort camps, is at the other end of the spectrum with sales of $115m last year and profit of $1.8m.

Another colour in the recreation spectrum is the casino and gambling sector (the adult equivalent of Disneyland) but over-capacity has wreaked untold damage to profitability. June figures, however, show a 4.2 per cent recovery in Atlantic City winnings to $193m, with Caesar's World local operation showing a 22 per cent jump to $22.9m as the group continues to invest heavily in a move up market.

Circus Circus, a five-casino strong Nevada group, has managed to attract strong middle market support. Projected earnings of $44m on turnover of $360m will stem from the group's near 100 per cent occupancy rate at its three hotels. Its share price has risen sharply recently, putting it on a p/e ratio of 20 compared with Caesar's World 16.

If more Americans are holidaying at home this year, one sector that should benefit is the replacement car parts industry. But even here, things look gloomy.

Tight inventory control by retailers has continued to keep leading stocks in the doldrums. Champion Spark Plug, for instance, is now considered an attractive takeover candidate after a debilitating strike by the United Auto Workers union, although international sales have been aided by the weaker dollar.

The poor state of the US economy lies at the heart of the trouble for this quasi-sector. Pump-priming, in the form of lower lending rates and a reformed (less punitive) tax regime, will help but the malaise is deep rooted.

As one Wall Street analyst remarked last week: "Things are so bad in some areas, people are more concerned about finding work than taking a holiday."